



December 20, 2025

New Jersey Department of Health  
Long-Term Care Licensing and Certification Program –  
Intake Via Email: [CNLapps@doh.nj.gov](mailto:CNLapps@doh.nj.gov)

With a copy to:

New Jersey Department of Human Services  
Office of Legal and Regulatory Affairs –  
Nursing Facility Submissions  
Via Email: [nfsubmissions@dhs.nj.gov](mailto:nfsubmissions@dhs.nj.gov)

Re: Notice of Proposed Sale and Transfer of Real Property Where a Nursing Facility Is Located –  
Troy Hills Center, 200 Reynolds Avenue, Parsippany, NJ 07054 (Morris County; 130 Beds) –  
N.J.S.A. 26:2H-7.27

To Whom It May Concern:

On behalf of Troy NH, LLC and Troy 1997, LLC (together, the “Sellers”) and Troy Hill Propco LLC (the “Buyer”), we hereby provide this notice and supporting documentation to the New Jersey Department of Health (“NJDOH”), with copy to the New Jersey Department of Human Services (“DHS”), in accordance with N.J.S.A. 26:2H-7.27 and the NJDOH memorandum regarding notice of the sale or transfer of real property on which a licensed nursing facility is located.

The facility that is the subject of this notice is the skilled nursing facility commonly known as Troy Hills Center, a 130-bed nursing facility located at 200 Reynolds Avenue, Parsippany, New Jersey 07054, in Morris County (the “Facility”). The real property on which the Facility is located (the “Property”) is currently owned by the Sellers. The Buyer is Troy Hill Propco LLC, a New Jersey limited liability company, which will acquire fee simple title to the Property pursuant to that certain Purchase and Sale Agreement, effective as of October 29, 2025, by and among Troy NH, LLC and Troy 1997, LLC, as Sellers, and Troy Hill Propco LLC, as Buyer (the “Purchase and Sale Agreement”).

Pursuant to the Purchase and Sale Agreement, the Buyer will acquire from the Sellers all of their right, title, and interest in and to the Property on which the Facility is located. Following the closing of the transaction (the “Closing”), the Buyer will be the sole fee owner of the Property. The current owners/sellers of the Property are Troy NH, LLC and Troy 1997, LLC; the prospective new owner/buyer is Troy Hill Propco LLC. The transaction is a transfer of real property only; it does not, in and of itself, effect a transfer of the Facility’s New Jersey long-term care license.

In connection with the transaction, the Buyer and the intended licensed operator of the Facility, Excelcare at Troy Hill LLC (the “Operator”), have entered into that certain lease agreement dated December 26, 2025 (the “Lease”), pursuant to which Troy Hill Propco LLC will lease the Property

to Excelcare at Troy Hill LLC for continued operation of the Facility as a licensed nursing facility. An amended and restated interim sublease dated December 26, 2025 (the "Interim Sublease"), entered into by the current operator and the future operator governs interim occupancy arrangements pending completion of all required regulatory approvals. The Operator has also entered, or will enter, into an interim or ongoing management agreement with its chosen management company (the "Management Agreement"), which Management Agreement is referenced in the Interim Sublease. A copy of the Management Agreement can be provided to NJDOH and DHS.

Troy Hill Propco LLC is a New Jersey limited liability company. Its manager is Eliyahu Frankel. Based on the organizational chart enclosed with this submission, 100% of the membership interests in Troy Hill Propco LLC are owned, directly or indirectly, by the following entities and persons (collectively, the "Propco Ownership"):

- Indigo Troy Hills LLC (50% owner of Troy Hill Propco LLC), which itself is owned, in equal thirds, by:
  - Gitberk LLC (33.33%);
  - JBL 120 LLC (33.33%); and
  - Mazel Family LLC (33.33%).

Based on the organizational chart, Gitberk LLC, JBL 120 LLC, and Mazel Family LLC are each wholly owned by the following trusts (collectively, the "Trust Owners"):

- GITBERK Trust (100% owner of Gitberk LLC);
- JBL 120 Trust (100% owner of JBL 120 LLC); and
- Mazel Family Trust (100% owner of Mazel Family LLC).

The other 50% of Troy Hills Propco LLC is Eliyahu Frankel.

In addition, for completeness, we note that Excelcare at Troy Hill LLC (a New Jersey limited liability company that will lease and operate the Facility under the Lease), has the following ownership and management structure, as reflected in the organizational chart:

- Manager: Eliyahu Frankel;
- Members: (i) Eliyahu Frankel (95% ownership interest); and (ii) Rochel Frankel (5% ownership interest).

For purposes of this notice and the NJDOH memorandum, all of the foregoing entities, trusts, and individuals are identified as the proposed new owners, principals, and/or other interested parties with a direct or indirect ownership or control interest in the Property and in the Facility's real estate lessor and lessee structures.

Unless otherwise noted by the Department, the mailing address for Troy Hill Propco LLC; Indigo Troy Hills LLC; JM and Mazel LLC; Gitberk LLC; JBL 120 LLC; Mazel Family LLC; the GITBERK Trust; the JBL 120 Trust; the Mazel Family Trust; Excelcare at Troy Hill LLC; and each of the individuals and trustees associated therewith, including Elyahu Frankel and Rochel Frankel, is: 1225 Carmel Court Lakewood, New Jersey 08701

On behalf of Troy Hill Propco LLC and the other proposed new owners of the Property identified herein, we hereby affirm and attest that, upon completion of the sale and transfer of the the new owners will lease, rent, and/or otherwise authorize the use of the Property, including the Facility premises, to Excelcare at Troy Hill LLC or any successor licensed operator at a rate that is consistent with fair market value for similar long-term care facilities in the same geographic market area, taking into account the Facility's size (130 beds), physical plant, age, condition, and local market conditions. The new owners further attest that they will not enter into any lease, sublease, management agreement, or other arrangement relating to the Facility that is knowingly inconsistent with such fair market value principles or that is designed to circumvent the requirements and intent of N.J.S.A. 26:2H-7.27 or applicable NJDOH and DHS guidance.

For NJDOH's and DHS's convenience, the following bullet list summarizes how each numbered item (1)–(5) in the NJDOH memorandum and in N.J.S.A. 26:2H-7.27 is addressed in this submission:

- – Identification of facility, location, number of beds, and current owner(s) of the real property: Addressed in the introductory paragraphs above (Facility description; Sellers identified as Troy NH, LLC and Troy 1997, LLC).
- – Description of the proposed sale/transfer of the real property and reference to the governing transaction documents: Addressed in Section 1 of this letter (description of the Purchase and Sale Agreement and proposed transfer of the Property).
- – Identification of the proposed new owner(s), principals, and other interested parties, including ownership structure: Addressed in Section 2 of this letter and the enclosed organizational chart for Troy Hill Propco LLC and Excelcare at Troy Hill LLC.
- – Attestation that the new owner(s) will lease, rent, or authorize use of the real property at rates consistent with fair market value: Addressed in Section 3 of this letter (fair market value attestation).
- – Submission of copies or descriptions of all relevant agreements relating to the sale, lease, sublease, and management of the Facility premises: Addressed in Section 5 below and the enclosed documents (Purchase and Sale Agreement, Lease, Interim Sublease, and Management Agreement description), as reflected in the Attachment Index.

Concurrently with this letter, and as part of this notice, we are submitting or describing the following documents, which collectively comprise the transaction documentation relating to the sale/transfer and the post-closing leasing and management of the Property and Facility (each, an "Attachment"):

- Purchase and Sale Agreement. A complete copy of the executed Purchase and Sale Agreement effective as of October 29, 2025, by and among Troy NH, LLC and Troy 1997, LLC, as Sellers, and Troy Hill Propco LLC, as Buyer, relating to the sale and transfer of the Property on which the Facility is located, including all exhibits and schedules to the extent applicable.
- Lease Agreement. A copy of the lease agreement dated December 26, 2025, by and between Troy



Hill Propco LLC, as lessor, and Excelcare at Troy Hill LLC, as lessee, pursuant to which the Buyer, as the new real property owner, will lease the Facility's real estate to Excelcare at Troy Hill LLC for use and operation of the licensed nursing facility, including provisions relating to rent, term, and responsibilities for maintenance, insurance, and compliance with applicable law.

- Amended and Restated Interim Sublease. A copy of the amended and restated interim sublease dated December 26, 2025, which governs Excelcare at Troy Hill LLC's interim occupancy and operations pending full implementation of the Lease and completion of all required regulatory approvals, including NJDOH licensure actions. The Interim Sublease sets forth the interim rental and operational terms and references an associated management arrangement for the Facility.
- Management Agreement (Description). The Management Agreement governing day-to-day management services for the Facility by a management company on behalf of Excelcare at Troy Hill LLC is referenced in the Interim Sublease and related transaction documents. If not already enclosed, a complete copy of the Management Agreement is available and will be promptly furnished to NJDOH and DHS upon request. For purposes of this notice, we confirm that the Management Agreement is consistent with applicable federal and state regulatory requirements regarding the operation and oversight of licensed long-term care facilities and that it does not modify or undermine the fair market value rent attested to above.
- Organizational Chart. An organizational chart showing the ownership and control structure of Troy Hill Propco LLC and Excelcare at Troy Hill LLC, including identification of all direct and indirect owners and the roles of the manager(s), as referenced in Section 2 of this letter.

We respectfully request that NJDOH and DHS acknowledge receipt of this notice and the accompanying documentation and confirm that the submission satisfies the requirements of N.J.S.A. 26:2H-7.27 and the NJDOH memorandum dated September 16, 2024. Should NJDOH or DHS require any additional information, documentation, or clarification, including copies of any underlying trust instruments or the full Management Agreement, please do not hesitate to contact the undersigned.

Thank you for your attention to this notice and for your continued oversight of long-term care services in the State of New Jersey.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Allen V. Koss'.

Allen V. Koss, Esq.

Koss & Schofield LLP

Encls.: As listed in Attachment Index

Troy Hills Center Propco Org Chart

Leon Melohn and  
Sima Melohn  
Trustees

The Leon and Sima Melohn  
1997 Trust  
100%

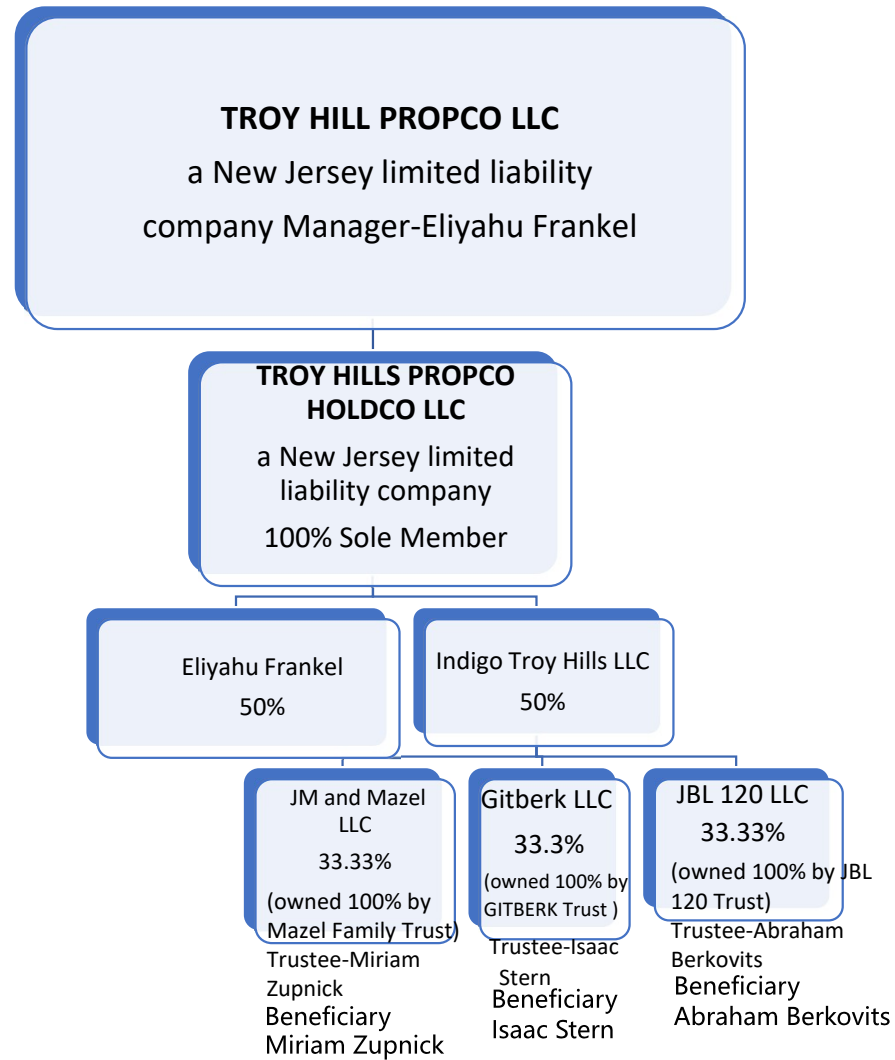
Troy 1997 LLC  
50% propco owner

Leon Melohn  
98%

L Troy LLC  
2%

Troy NH LLC  
50% propco owner

Propco Post Transfer



**LEASE AGREEMENT**

by and between

**TROY HILL PROPCO LLC,**

**a New Jersey limited liability company**

**as Lessor**

**and**

**EXCELCARE AT TROY HILL LLC,**

**a New Jersey limited liability company**

**as Lessee**

\_\_\_\_\_, 2025

## LEASE AGREEMENT

THIS LEASE AGREEMENT (this "**Lease**") is made and entered into as of this \_\_\_\_ day of December, 2025 (the "**Effective Date**") by and between **TROY HILL PROPC LLC**, a New Jersey limited liability company (collectively "**Lessor**"), and **EXCELCARE AT TROY HILL LLC**, New Jersey limited liability company (collectively, "**Lessee**").

### RECITALS:

A. Lessor currently intends to acquire fee simple title in and to the Facility (as hereinafter defined), as more particularly described in **Exhibit A** attached hereto and made a part hereof (collectively, the "**Demised Premises**"), and the furnishings, furniture, equipment and fixtures used in or about the Demised Premises ("**Personal Property**"). The Demised Property and the Personal property are sometimes referred to collectively as, the "**Property**").

B. Lessor desires to lease the Demised Premises and Personal Property to Lessee and Lessee desires to lease the Demised Premises and Personal Property from Lessor.

C. Lessor, as a borrower thereunder, VNB NEW YORK, LLC, as agent (in such capacity, "**Agent**") for the lenders party thereto from time to time (the "**Lenders**") and certain other parties, as borrowers, have entered into that certain Term Loan and Security Agreement dated as of December \_\_\_\_, 2025 (as it may be amended, restated or replaced from time to time, the "**Term Loan and Security Agreement**"), pursuant to which Lessor has obtained financing for the purchase of the Demised Premises and the Personal Property. Pursuant to the Term Loan and Security Agreement, Lessor has granted Agent (for its benefit and that of Lenders) a first priority security interest and lien in and on the Demised Premises and the Personal Property, including without limitation, a first-priority mortgage encumbering the Demised Premises and the Personal Property (as it may be amended, restated or replaced, the "**Mortgage**"). Lessee acknowledges having received a copy of the Term Loan and Security Agreement and the Mortgage and such other "**Loan Documents**" (as defined in the Term Loan and Security Agreement) as Lessee has requested of Lessor. If the financial covenants set forth in this Lease are less stringent or otherwise different than the financial covenants applicable to "**Operator**" (as defined in the Term Loan and Security Agreement) contained in the Term Loan and Security Agreement, the financial covenants applicable to Operator in the Term Loan and Security Agreement shall control.

D. The parties hereto have agreed to the terms and conditions of this Lease.

NOW THEREFORE, in consideration of the above Recitals which are incorporated herein by this reference and of the mutual covenants, agreements and undertakings hereinafter set forth, it is agreed that the use and occupancy of the Demised Premises, and the use of the Personal Property shall be subject to and in accordance with the terms, conditions and provisions of this Lease.

### ARTICLE I - DEFINITIONS

1.1 The terms defined in this Article shall, for all purposes of this Lease and all agreements supplemental hereto, have the meaning herein specified.

(a) "**Adjusted EBITDAR**" shall have the meaning ascribed to it in the Term Loan and Security Agreement.

(b) "**Facility**" shall mean the skilled nursing facility as described on Exhibit A attached hereto and located on the Demised Premises, subject to the terms of this Lease.

(c) "**Fixed Charge Coverage Ratio**" shall have the meaning ascribed to it in the Term Loan and Security Agreement.

(d) "**Licensed Beds**" shall mean the skilled nursing facility with the number of licensed beds as described on Exhibit B attached hereto and located on the Demised Premises, subject to the terms of this Lease.

(e) "**Test Period**" shall have the meaning ascribed to it in the Term Loan and Security Agreement.

(f) All other terms shall be as defined in other sections of this Lease.

## ARTICLE II - DEMISED PREMISES AND PERSONAL PROPERTY

2.1 Lessor, for and in consideration of the rents, covenants and agreements hereinafter reserved, mentioned and contained on the part of the Lessee, its successors and assigns, to be paid, kept and performed, does hereby lease unto Lessee the Demised Premises together with the Licensed Beds and Personal Property to be used in and upon the Demised Premises for the term hereinafter specified, for use and operation therein and thereon of Facility, in substantial compliance with all the rules and regulations and minimum standards applicable thereto, as prescribed by the State of New Jersey and such other governmental authorities having jurisdiction thereof. At the expiration or earlier termination of the lease all of the personal property of the facility and Licensed Beds, to the extent permitted by applicable law, shall revert to the Lessor.

## ARTICLE III - TERM OF LEASE

3.1 The term of this Lease (the "**Term**" or the "**Initial Term**") shall begin and be effective as of the date that Lessor acquires ownership of the Demised Premises (such date, the "**Commencement Date**"), and shall expire on the ten (10) year and one month anniversary of the Commencement Date, unless sooner terminated as hereinafter provided. Notwithstanding the foregoing, Lessor shall have the option, by delivery of written notice to Lessee, at least 6 months prior to the expiration of the Term, to extend this Lease for two (2) additional period of five (5) years and upon the giving of such notice. The "**Term**" hereunder shall include such additional period of five (5) years, subject to the increase in base rent contained in paragraph 4.1.

3.2 Intentionally Omitted.

3.3 Notwithstanding any provision in this lease to the contrary, this Lease shall terminate in its entirety, without notice, upon the institution by or against any Lessee of a bankruptcy proceeding.

#### ARTICLE IV - RENT

4.1 From and after the Commencement Date, Lessee shall pay to Lessor, or as Lessor shall direct, without demand, deduction or offset for any reason whatsoever except as herein specifically provided, as annual base rent (the "**Base Rent**") for the Demised Premises and the Personal Property, an amount equal to \$2,694,823, which annual Base Rent shall be paid in equal monthly installments.

4.2 All annual Base Rent shall be paid in equal monthly installments. The Base Rent shall increase by two percent (2%) each year beginning on the first year of this Lease.

4.3 For purposes of this section, the first year shall be deemed to begin on the Commencement Date, with each year of this Lease thereafter beginning on the anniversary of the Commencement Date of the following year. All payments of Base Rent provided for in this Lease shall be paid on or prior to the 1<sup>st</sup> day of each calendar month. Unless otherwise notified in writing all checks shall be made payable as directed by Lessor and shall be sent to Lessor as directed by Lessor.

4.4 This Lease is and shall be deemed and construed to be a triple net lease and the Base Rent specified herein shall be net to Lessor in each year during the Term of this Lease. The Lessee shall pay all costs, expenses and obligations (ordinary and extraordinary) of every kind whatsoever relating to the Demised Premises which may arise or become due during the Term of this Lease (the "**Additional Rent**"), including, but not limited to, the payment of property taxes as provided in Articles VI and VII of this Lease, the maintenance of insurance policies as provided in Article IX of this Lease, maintenance and repairs to the Demised Premises and each Facility to maintain the same in the same condition as of the commencement of the Lease excepting reasonable wear and tear as provided in Article XI of this Lease, and funding any monthly tax and insurance reserves, and replacement reserves to the extend provided for herein, required by a Lender. Lessee does hereby agree to indemnify, defend and hold harmless Lessor against any such costs, expenses and obligations.

4.5 The Lessor, agrees to accept monthly rent payments and all other payments, deposits and reserves to be made under the Lease from the Lessees. Lessor agree that all monthly rent and other such payments, deposits and reserves will be deposited into the accounts of the Lessor and that said accounts will be subject to the "springing" Deposit Account Control Agreement (DACA) on behalf, and in favor, of the Agent.

#### ARTICLE V - FINANCIAL COVENANTS.

5.1 Lessee agrees to maintain (i) the Adjusted EBITDAR, and (ii) the Fixed Charge Coverage Ratio (as defined in the Term Loan and Security Agreement).

#### ARTICLE VI - PAYMENT OF TAXES AND ASSESSMENTS

6.1 Lessee will pay, in addition to the escrows to be paid to, and held by, Agent pursuant to the Term Loan and Security Agreement, as Additional Rent before any fine, penalty,

interest or cost may be added thereto for the nonpayment thereof, all taxes (except taxes for which Lessee shall make deposits with Lessor in accordance with the provisions of Article VII of this Lease), assessments, license and permit fees and other governmental charges, general and special, ordinary and extraordinary, foreseen and unforeseen, of any kind and nature whatsoever which during the Term of this Lease may have been, or may be assessed, levied, confirmed, imposed upon or become due and payable out of or in respect of, or become a lien on the Demised Premises and/or Personal Property or any part thereof (collectively, "**Taxes and Assessments**"). Except for taxes for which Lessee shall make deposits with Lessor in accordance with the provisions of Article VII, not later than five (5) days following its receipt thereof, Lessor shall provide to Lessee copies of any bills received by it for Taxes and Assessments. At the request of Lessor, within ten (10) days of any payment by Lessee of the Taxes and Assessments, a copy of the paid stamped bill or other evidence of payment shall be delivered to Lessor. The payment of any sum, other than Base Rent, due from Lessee to Lessor under this Lease shall be deemed to be Additional Rent. Except as otherwise provided herein, all expenses and charges whether capital or to be expensed with respect to the Demised Premises or Personal Property, whether for upkeep, maintenance, repair, refurbishing, restoration, replacement, insurance premiums, taxes, utilities, and other operating or other charges of a like nature or otherwise, shall be paid by Lessee

6.2 Any Taxes and Assessments relating to a fiscal period of any authority, a part of which is included within the Term of this Lease and a part of which is included in a period of time before or after the Term of this Lease, shall be adjusted pro rata between Lessor and Lessee as of the commencement and termination of the Term and each party shall be responsible for its pro rata share of any such Taxes and Assessments.

6.3 Nothing herein contained shall require Lessee to pay income taxes assessed against Lessor or its beneficiary, or capital levy, franchise, estate, succession or inheritance taxes of Lessor or its beneficiary.

6.4 If permitted by the terms of the Loan Documents, Lessee shall have the right to contest the amount or validity, in whole or in part, of any Taxes and Assessments by appropriate proceedings diligently conducted in good faith, but only after payment of such Taxes and Assessments, unless such payment would operate as a bar to such contest or interfere materially with the prosecution thereof, in which event, Lessee may postpone or defer such payment only if all of the following conditions are met:

(a) Neither the Demised Premises, the Personal Property any material license or certification nor any part thereof would by reason of such postponement or deferment be in danger of being forfeited or lost, and

(b) Lessee shall have deposited with Lessor, to be held in trust, cash or securities in an amount (against which Lessee shall receive a credit equal to the amount pertaining to the period such Taxes and Assessments are being contested held by Lessor pursuant to the terms of Section 7.1 hereof) reasonably satisfactory to Lessor but in no event less than the amount required by Agent, or if there is no Loan encumbering the Demised Premises, one hundred twenty-five percent (125%) of the amount of such Taxes and Assessments, including the amount of any interest thereon and penalties in connection with the nonpayment thereof, which at such

time shall be actually due and payable, and such additional amounts from time to time as may be necessary to keep on deposit at all times an amount equal to the amount required by Agent, or if there are no Loan Documents, then an amount equal to one hundred twenty-five percent (125%) of such Taxes and Assessments at any time actually due and payable, together with all interest, costs and penalties in connection therewith and all charges that may or might be assessed against or become a charge on the Demised Premises or any part thereof in such proceedings.

(c) Lessee shall comply with requirements for a tax contest set forth in the Loan Documents.

If held by Lessor, the cash so deposited shall be deposited by Lessor in an interest bearing account and the cash or securities so deposited shall be held by Lessor until the final resolution of such contest and any lien filed against the Demised Premises shall have been released and discharged, and shall thereupon be returned to the Lessee, less the amount of any loss, cost, damage and reasonable expense (including, without limitation, attorneys' fees and investment expenses) that Lender or Lessor may sustain in connection with the Taxes and Assessments so contested.

Upon the termination of any such proceedings, Lessee shall pay the amount of such Taxes and Assessments or part thereof as finally determined in such proceedings, the payment of which may have been deferred during the prosecution of such proceedings, together with any costs, fees, interest, penalties, or other liabilities in connection therewith, and such payment, at Lessee's request, shall be made by Lessor out of the amount deposited with respect to such Taxes and Assessments and accrued interest as aforesaid. In the event such amount is insufficient, then the balance due shall be promptly paid by Lessee. In the event the amount of funds deposited by Lessee with respect to any such contested Taxes and Assessments plus any accrued interest thereon is in excess of such Taxes and Assessments due as finally determined in such proceeding (including any costs, fees, interest, penalties or other liabilities in connection therewith), then such excess funds shall be promptly returned to Lessee by Lessor.

6.5 Lessor shall not be required to join in any proceedings referred to in this Article VI, unless the provisions of any law, rule or regulation at the time in effect shall require that such proceedings be brought by or in the name of Lessor in which event Lessor shall join in such proceedings or permit the same to be brought in its name and Lessee shall pay for all costs in connection therewith. Lessor shall not ultimately be subjected to any liability for the payment of any costs or expenses in connection with any such proceedings, and Lessee will indemnify, defend and save harmless Lessor from any such costs and expenses, including, without limitation, reasonable attorneys' fees, as a result of such proceedings. Lessee shall be entitled to any refund of any real estate taxes and penalties or interest thereon received by Lessor but previously reimbursed in full by Lessee. Lessor agrees that it will reasonably assist Lessee to provide any necessary information and execute any necessary documents in connection with proceedings referred to in this Article.

6.6 In the event that Lessor determines in its reasonable judgment, that it is not being adequately represented by Lessee's counsel in any proceedings referred to in this Article, Lessor may upon twenty (20) days prior written notice to Lessee, obtain separate counsel to represent it in such action. In the event that Lessor determines, in its reasonable judgment, that Lessee has abandoned any contest referred to in this Article or that Lessee is not pursuing any such contest

with due diligence, Lessor may, upon ten (10) days' prior written notice to Lessee, if the Taxes and Assessments so contested by Lessee have not theretofore been paid, pay such Taxes and Assessments from the amounts deposited by Lessee pursuant to the terms of Section 7.1 below.

6.7 If any income profits or revenue tax shall be levied, assessed or imposed upon the income, profits or revenue arising from the Rent payable hereunder, partially or totally in lieu of or as a substitute for real estate taxes imposed upon the Demised Premises or Personal Property, then Lessee shall be responsible for the payment of such tax.

#### ARTICLE VII - TAX, INSURANCE AND REPLACEMENT RESERVE DEPOSITS

7.1 If required to be made by Lessor, Lessee shall make, an initial payment on the Commencement Date and shall continue to pay, monthly real estate tax deposits with Lessor, in an amount equal to one-twelfth (1/12<sup>th</sup>) (or such greater amount as may be required by Lessor) of the annual real estate taxes levied against the Demised Premises. Said deposits shall be due and payable on the tenth (10<sup>th</sup>) day of each month as Additional Rent, unless sooner required by Landlord at its sole discretion. If such deposits are held by Lender, said deposits shall not bear interest, unless interest on the deposits is paid to Lessor by Lender. If made, the deposits shall be held by the Lender to pay the real estate taxes as they become due and payable. Said deposits shall not be kept separate and apart from any other funds of Lessor. If the amount of Lessee's payments as made under this Article shall be less than the total amount due of the real estate taxes, then Lessee shall pay Lessor the amount necessary to make up the deficiency in its pro rata share in the initial year of the Term of this Lease and thereafter shall pay the full deficiency no later than ten (10) days prior to the due date of such tax bill. In the event that Lessee has paid all sums due under this Section 7.1 and Lessor or Lender fail to pay the real estate taxes when due, Lessor or Lender shall be solely responsible for any late charges or loss which is a result of their failure to make timely payment hereunder. Not later than ten (10) days following its receipt thereof, Lessee shall provide to Lessor copies of any bills received by it for Taxes and Assessments. Within ten (10) days of any direct payment by Lessee of the Taxes and Assessments, a copy of the paid tax bill shall be delivered to Lessor.

7.2 Notwithstanding anything to the contrary contained herein, if required by Lessor, Lessee will make monthly deposits for insurance premiums with Lessor, in an amount equal to the amount determined by Lessor. The deposits, if applicable, for insurance deposits, shall be due and payable on the tenth (10<sup>th</sup>) day of each month as Additional Rent, unless sooner required by Landlord in its sole discretion. Not later than five (5) days following its receipt thereof, Lessor shall provide to Lessee copies of any insurance bills received by it, if not paid directly by Lessee. At the request of Lessee, within five (5) days of any payment by Lessor of insurance premiums, a copy of the paid insurance bill or evidence of payment of the insurance premiums shall be delivered to Lessee.

7.3 If required by Lessor, then Lessee will make monthly deposits for reserves with Lessor, in an amount determined by Lessor. The deposits, if applicable, for replacement reserves, shall be due and payable on the tenth (10<sup>th</sup>) day of each month as Additional Rent, unless sooner required by Landlord in its sole discretion.

## ARTICLE VIII - OCCUPANCY

8.1 During the Term of this Lease, the Demised Premises shall be used and occupied by Lessee for and as Facility of not less than the number of licensed beds described on **Exhibit B** and for no other purpose. Subject to the terms of Article XX hereof, Lessee shall at all times during the Term maintain in good standing and full force a probationary or nonprobationary license issued by the New Jersey Department of Health Services ("NJDS") (the "License") and any other governmental agencies permitting the operation on the Demised Premises of Facility of not less than the number of licensed beds described on **Exhibit B** (subject to any reduction in the number of licensed beds required by any governmental authority solely as a result of changes in laws, rules and regulations relating to the physical attributes of the improvements on the Demised Premises or eminent domain proceedings as described in Section 16.2). Lessee may request of Lessor the authority to reduce the number of beds to improve financial operation of the Facility, but may not make such reduction without the written approval of Lessor and Agent.

8.2 Lessee will not suffer any act to be done or any condition to exist on the Demised Premises which may be dangerous or which may, in law, constitute a public or private nuisance or which may void or make voidable any insurance then in force on the Demised Premises.

8.3 Upon termination of this Lease for any reason, including but not limited to the expiration of the term of the lease, Lessee will return to Lessor the Demised Premises and the Facility in the same condition as existed on the Commencement Date, reasonable wear and tear excepted, and cooperate with the change of ownership for the license issued by the State of New Jersey and by any governmental agencies having jurisdiction over the Demised Premises as Facility of not less than the number of licensed beds described on **Exhibit B** (subject to any reduction in the number of licensed beds required by any governmental authority solely as a result of changes in laws, rules and regulations relating to the physical attribute of the improvements on the Demised Premises or eminent domain proceedings as described in Section 16.2 or approved by Lessor during the term of this Lease) with an unrestricted license in full force and good standing for no less than the number of licensed beds described on **Exhibit B** (subject to any reduction in the number of licensed beds required by any governmental authority solely as a result of changes in laws, rules and regulations relating to the physical attribute of the improvements on the Demised Premises or eminent domain proceedings as described in Section 16.2 or approved by Lessor during the term of this Lease). Lessee shall, within ten (10) days following its receipt thereof, provide Lessor with a copy of any notice from DEEDS or any federal, state or municipal governmental agency or authority regarding any reduction in the number of licensed beds and Lessor shall have the right to contest, by appropriate legal or administrative proceedings, any such reduction.

8.4 During the Term of this Lease, Lessee shall only use the Demised Premises in accordance with Environmental Laws (as hereinafter defined) and shall not use nor permit the Demised Premises to be used for the treatment, storage or disposal of any Hazardous Substances (as hereinafter defined) nor for any purpose involving the use of the Hazardous Substances; provided, however, that Lessee may use in and store at each Facility such materials and substances as are customarily used in Facility but only in such quantities as are reasonably necessary for the routine business operation of such Facility and in compliance with applicable laws. For purposes hereof "Hazardous Substances" shall mean any toxic or hazardous waste

or pollutants, or substances, including, without limitation, asbestos, PCB's, petroleum products and by products, substances defined or listed as: "Hazardous Substances" or "Toxic Substances" in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. § 9601, *et seq.*, "Hazardous Materials" in the Hazardous Materials Transportation Act, 49 U.S.C. § 1802, *et seq.*, "Hazardous Waste" in The Resource Conservation and Recovery Act, 42 U.S.C. § 6901, *et seq.*, any chemical substance or mixture regulated under the Toxic Substance Control Act of 1976, as amended, 15 U.S.C. § 2061, *et seq.*, any "Toxic Pollutant" under the Clean Water Act, 33 U.S.C. § 1251, *et seq.*, as amended, any "Hazardous Air Pollutant" under the Clean Air Act, 42 U.S.C. § 7401, *et seq.*, and any hazardous or toxic substance or pollutant regulated under any other applicable federal, state or local Environmental Laws. "**Environmental Laws**" as used in this Lease means all federal, state and local environmental, health, or safety laws or regulations applicable to the Demised Premises or the Facility, now or hereafter enacted. Lessee hereby agrees to indemnify, defend and hold Lessor harmless from and against, and shall reimburse Lessor for, any loss, claim, liability, damages, injunctive relief, injuries to persons, property or natural resources, costs, expense, action and causes of action in connection with the use, generation, treatment, storage, release or disposal of Hazardous Substances at or from the Demised Premises during the Term hereof, including, without limitation, the cost of any required or necessary repair, cleanup or detoxification and the preparation of any closure or other required work to be performed, to the full extent that such action is attributable, directly or indirectly, to the use, generation, treatment, storage, release or disposal of Hazardous Substances on the Demised Premises during the Term hereof.

#### ARTICLE IX - INSURANCE

9.1 Subject to any additional requirements of the Loan Documents, Lessee shall, at its sole cost and expense, as of the Commencement Date and during the Term, maintain fire, and casualty insurance with extended coverage endorsement, which includes coverage for malicious mischief and vandalism both on the Demised Premises and the Personal Property on the New Jersey standard form with a responsible company or companies approved by Lessor, which approval will not be unreasonably withheld. Such insurance shall, at all times, be maintained (without any co-insurance clause, if possible) in an amount equal to the full replacement value of the Demised Premises and Personal Property, but not less than that required by Lender, but in any event in an amount sufficient to prevent Lessor and Lessee from becoming co-insurers under applicable provisions of the insurance policies. Such insurance shall at all times be payable to Lender, Lessor and Lessee, as their interests may appear and shall contain a loss-payable clause to the Lender, as its interest may appear. Upon the reasonable request of Lessor (not more frequently than once every five (5) years), provided however no less frequently than such time as required by Lessee's insurance carrier, Lessee shall furnish, at its sole cost and expense, to Lessor and such insurance carrier, insurance appraisals in form and substance as are regularly and ordinarily made by insurance companies, in order to determine the then replacement value of the Demised Premises and Personal Property, and if such appraisal shows that the amount of casualty insurance maintained by Lessee hereunder is insufficient, the amount of insurance required by this Section 9.1 shall be adjusted accordingly.

9.2 Lessee shall also, at Lessee's sole cost and expense, cause to be issued and shall maintain during the Term of this Lease, insurance from an insurance company with a "A" rating or higher from A.M. Best Company in accordance with the requirements set forth in the Loan

Documents or as reasonably required by Lessor, for each individual facility, but in no event with coverage less than:

(a) Insurance against loss or damage to the Property by fire, casualty and other hazards as now or subsequently may be covered by an "**all-risk**" policy, with coverage for earthquake in amounts and in form satisfactory to Lessor, and such endorsements as Lessor may from time to time reasonably require and which are customarily required for similar properties similarly situated, and which coverage shall also meet the following requirements:

(1) The amount of such property insurance shall be not less than 100% of the full replacement cost of the Demised Premises, furniture, furnishings, fixtures, equipment and other items (whether personalty or fixtures) included in the Property and owned by Lessor from time to time, without reduction for depreciation. The determination of the replacement cost amount shall be adjusted annually to comply with the requirements of the Insurer issuing such coverage or, at Lender's election, by reference to such indexes, appraisals or information as Lender determines in its discretion. Full replacement cost, as used herein, means, with respect to the Demised Premises, the cost of replacing the Demised Premises without regard to deduction for depreciation, exclusive of the cost of excavations, foundations and footings below the lowest basement floor, and means, with respect to such furniture, furnishings, fixtures, equipment and other items, the cost of replacing the same.

(2) Each such policy or policies of property insurance shall contain the following provisions, all subject to Agent and Lessor approval in form and content: (A) a replacement cost endorsement; (B) either an agreed amount endorsement (to waive the operation of any coinsurance provisions) or a waiver of any co-insurance provisions; (C) law and ordinance coverage in an amount satisfactory to Lender; and (D) coverage for interruption in utility services.

(b) Business Income including rental value and Extra Expense insurance covering the same perils of loss as are required to be covered by the property insurance required pursuant to this Section and meeting the following requirements:

(1) The amount of such insurance shall be not less than the projected gross revenue from the Facility for a period of one year. The amount of such insurance shall be determined prior to the date of this Lease and at least once each year thereafter based on Lessor and Lessee's reasonable estimate of the gross revenue from the Facility for the succeeding 36 month period; or, at Lessor's election in its discretion, by reference to such indexes, appraisals or information as Lessor determines.

(2) Each such policy or policies shall contain the following provisions, all subject to Lessor's approval in form and content: (i) either an agreed amount endorsement (to waive the operation of any co-insurance provisions) or a waiver of any co-insurance provisions; (ii) law and ordinance coverage in an amount satisfactory to Lender; (iii) an extended period of indemnity endorsement providing that after the repair of any physical loss to the Property, the continued loss of income will be insured until the earlier of the time that (a) such income returns to the same level as it was at prior to the

date on which the physical loss occurred or (b) 12 months from the date that the Property is repaired or replaced and operations are resumed in the manner that such operations were conducted prior to the date of the physical loss to the Property giving rise to such insurance obligation, which payments shall be made notwithstanding the expiration of the policy prior to the end of such period.

(c) Broad form boiler and machinery insurance covering the major components of the central heating, air conditioning and ventilating systems, boilers, other pressure vessels, high pressure piping and machinery, elevators and escalators, if any, and other similar equipment installed in the Demised Premises, in an amount equal to 100% of the full replacement cost of the Demised Premises. Such policy or policies shall insure against physical damage to and loss of occupancy and use of the Demised Premises arising out of an accident or breakdown covered under such policy or policies and shall include all of the following coverage: (A) business interruption including rental value, (B) extra expense, (C) consequential damage and (D) interruption in utility services power supply.

(d) If the Demised Premises or any part thereof is identified by the Secretary of Housing and Urban Development as being situated in an area now or subsequently designated as having special flood hazards (including those areas designated as Zone A or Zone V), flood insurance in an amount equal to 100% of the lesser of the (A) replacement value of the Demised Premises or (B) maximum amount of flood insurance available.

(e) During the period of any construction on the Demised Premises or renovation or alteration of the Demised Premises, a so-called "**Builder's All-Risk Completed Value**" or "**Course of Construction**" insurance policy in non-reporting form for any improvements under construction, including for demolition and increased cost of construction or renovation, in an amount equal to 100% of the estimated replacement cost on the date of completion, including "**soft cost**" coverage, and workers' compensation and employers liability insurance covering all persons engaged in such construction, in an amount at least equal to the minimum required by law. In addition, each contractor and subcontractor shall be required to provide Lessor with a certificate of insurance for (i) workers' compensation and employers liability insurance covering all persons engaged by such contractor or subcontractor in such construction in an amount at least equal to the minimum required by law, and (ii) general liability insurance showing minimum limits of at least \$5,000,000, including coverage for premises/operations and products and completed operations. Each contractor and subcontractor also shall cover Lessor, Agent and Lessor as additional insureds under such liability policy and shall defend, indemnify and hold Agent, Lenders and Lessor harmless from and against any and all claims, damages, liabilities, costs and expenses arising out of, relating to or otherwise in connection with the performance by each contractor and subcontractor of such construction.

(f) Commercial general liability insurance using an "**occurrence**" based form meeting the following requirements:

(1) The amount of such liability insurance shall be not less than \$1,000,000 per occurrence, \$3,000,000 per location aggregate or such lesser amount as Lessor in Lessor's discretion may accept, for bodily injury, personal and advertising injury and property damage. Lessor retains the right to periodically review the amount of such

liability insurance being maintained by Lessor and to require an increase in the amount of such liability insurance should Lessor deem an increase to be reasonably prudent under then-existing circumstances.

(2) Each such policy or policies of liability insurance shall (A) provide coverage for claims for personal injury, advertising injury, bodily injury, death and property damage liability with respect to the applicable Facility and operations related thereto, whether on or off the Demised Premises; (B) include broad form contractual liability coverage including coverage for the indemnities contained herein.

(g) Professional liability and malpractice insurance using an "**occurrence**" based form with limits of at least \$1,000,000 per occurrence (claim)/\$3,000,000 in the aggregate, and covering acts occurring prior to the Commencement Date. Lessee shall cause, each physician or nurse practitioner with clinical privileges at the Facility to carry professional liability and malpractice insurance with limits of not less than \$1,000,000 per occurrence (claim)/\$3,000,000 in the aggregate. Lessor retains the right to periodically review the amount of such liability insurance and to require an increase in the amount of the same should Lessor deem an increase to be reasonably prudent under the existing circumstances.

(h) Motor vehicle (auto) liability coverage for all owned hired and non-owned automobiles, including rented and leased automobiles, containing minimum limits per occurrence of greater of \$1,000,000 or at such amounts as are in force as of the Commencement Date.

(i) Workers' compensation and employers liability insurance or other similar insurance that may be required by governmental authorities or applicable legal requirements in an amount at least equal to the minimum required by law.

(j) With respect to the Property, insurance for certified and uncertified acts of terrorism insurance in such amounts as are required by Lessor.

(k) Crime coverage providing blanket employee dishonesty insurance with limits of not less than \$500,000.

(l) Such other insurance on the Property or on any replacements, supplements or substitutions thereof or additions thereto as may from time to time be required by Lessor or Agent against other insurable hazards or casualties that at the time are commonly insured against in the case of property similarly situated, due regard being given to the height and type of buildings, their construction, location, use and occupancy.

All such insurance required pursuant to this Section shall (i) be issued by companies approved by Lessor and Agent and licensed to do business in the state where the Demised Premises is located, with a claims paying ability rating of "A" or better by A.M. Best Company; (ii) contain the complete address of the Demised Premises (or a complete legal description), (iii) be for a term of at least one year, (iv) contain deductibles no greater than \$10,000 or as otherwise required by Lessor, and (v) be subject to the approval of Lessor and Agent as to insurance companies, amounts, content, forms of policies, method by which premiums are paid and expiration dates, and, in addition, Lessee shall comply with, or cause to be complied with, each of the following with respect to the insurance policies required to be maintained pursuant to this Lease:

Lessee shall as of the date of this Lease deliver to Lessor certified copies of such insurance policies or such other evidence of insurance as Lessor in its discretion may accept; and evidence satisfactory to Lessor in its discretion that such insurance policies have been paid current as of the date of this Lease. Thereafter, Borrower shall deliver to Lessor certified copies of any such insurance policies promptly upon request.

With respect to insurance policies that require payment of premiums annually, not less than 30 days prior to the expiration dates of the insurance policies obtained pursuant to this Lease, Lessee shall pay such amount. Not less than 30 days prior to the expiration dates of the insurance policies obtained pursuant to this Lease, Lessee shall deliver to Lessor and Agent certified copies of the renewals of such policies (or other evidence of renewal satisfactory to Lessor and Agent) bearing notations evidencing the payment of premiums or accompanied by other evidence of payment satisfactory to Lessor and Agent. Lessee shall also deliver to Lessor certified copies of any such insurance policies promptly upon request.

No premiums for any policies or policies of insurance required under this Lease or otherwise held with respect to the Property, whether by Lessee or any other Person, shall be paid by Lessee or by any other Person through or by means of any financing arrangement with any third party lender.

All policies required under this Lease will contain: (a) a provision that such policies shall not be canceled or amended, including any amendment that would reduce the scope or limits of coverage or remove any endorsement to such policy or cause the same to no longer be in full force and effect, or failed to be renewed, without at least 30 days prior written notice to Lessor and Agent in each instance; and (b) a waiver of all rights of subrogation against Agent, Lenders and Lessor.

While the Mortgage remains outstanding, all policies required or contemplated by this Section will name Agent as mortgagee and loss payee, shall provide for all losses to be payable directly to Agent, and will contain: a standard noncontributing mortgagee provision or endorsement or its equivalent providing that any loss shall be payable to Lessor notwithstanding (a) any negligent or willful acts or omissions of Lessee that might otherwise result in forfeiture of such insurance; (b) occupancy or use of the Facility for purposes more hazardous than those permitted by the terms of such policy; (c) any foreclosure or other action taken by Agent pursuant to the Mortgage upon the occurrence of an Event of Default; or (d) any change in title or ownership of the Property.

All policies required or contemplated by this Section will name Agent, Lenders and Lessor as an additional insureds.

9.3 All policies of insurance shall provide, to the extent available at a commercially reasonable price so long as not otherwise required by the Lender:

(a) They are carried in favor of Lessor, Lessee and/or Agent, as their respective interests may appear, and any loss shall be payable as therein provided, notwithstanding any act or negligence of Lessor or Lessee, which might otherwise result in forfeiture of insurance; and

(b) They shall not be canceled, terminated, reduced or materially modified without at least thirty (30) days' prior written notice to Lessor; and

(c) A standard mortgagee clause in favor of Lender, and shall contain, if obtainable, a waiver of the insurer's right of subrogation against funds paid under the standard mortgagee endorsement which are to be used to pay the cost of any repairing, rebuilding, restoring or replacing.

(d) Lessee's Waiver of Subrogation. Lessee agrees that the insurance policies to be obtained hereunder shall provide that the insurance carriers shall waive all rights of subrogation against Lessor and that such policies shall not be invalidated should the insured waive in writing prior to a loss any or all right of recovery against any party for losses covered by such policies. Lessee hereby waives and releases any and all right of recovery which it might otherwise have against Lessor, its agents and employees, and all liability or responsibility of Lessor, its agents and employees, for all injury and for loss or damage to its business, contents, furniture, furnishings, fixtures and other property of Lessee, notwithstanding that such injury, loss or damage may result from the negligence or fault of Lessor, or any of its agents or employees.

(e) Lessor's Waiver of Subrogation. Lessor agrees that the insurance policies to be obtained hereunder shall provide that the insurance carriers shall waive all rights of subrogation against Lessee and that such policies shall not be invalidated should the insured waive in writing prior to a loss any or all right of recovery against any party for losses covered by such policies. Lessor hereby waives and releases any and all right of recovery which it might otherwise have against Lessee, its agents and employees, and all liability or responsibility of Lessee, its agents and employees, for all injury and for loss or damage to its business, contents, furniture, furnishings, fixtures and other property of Lessor, to the extent such loss or damage (both as to type and amount) is covered by valid and enforceable insurance policies payable to Lessor, notwithstanding that such injury, loss or damage may result from the negligence or fault of Lessee, or any of its agents or employees.

(f) Lessee will not do or omit to do or keep anything in, upon or about the Demised Premises or any adjacent areas which may (i) prevent the obtaining of any fire, liability or other insurance upon or written in connection with the Demised Premises, and Lessee's Personal Property or such adjacent areas, or (ii) make any such insurance void or voidable or otherwise invalidate the obligations of the insurer contained therein.

9.4 Certificates of insurance policies required by this Article shall be delivered to Lessor and Lender prior to or on the Commencement Date. Upon receipt thereof, Lessee shall deliver copies of the actual policies to Lessor, which certificates and policies shall be updated annually not less than twenty (20) days prior to the expiration date thereof.

9.5 Lessee shall at all times keep in effect business interruption insurance with loss of rents endorsement naming Lessor as an insured in an amount at least sufficient to cover:

(a) The aggregate of the cost of all Taxes and Assessments due during the period of the next succeeding twelve (12) months following the occurrence of the business interruption; and

(b) The cost of all insurance premiums for insurance required to be carried by Lessee for such twelve (12) month period; and

(c) The aggregate of the amount of the monthly Base Rent for the next succeeding twelve (12) month period.

All proceeds of any business interruption insurance or loss of rents coverage shall be applied, first, to the payment of any base rent payment, Taxes and Assessments and insurance premiums or deposits required for the next succeeding twelve (12) months to the extent that such payments are due and owing and, thereafter, after all necessary repairing, rebuilding, restoring or replacing has been completed as required by the pertinent Articles of this Lease and the pertinent sections of the Loan Documents, any remaining balance of such proceeds shall be paid over to the Lessee.

9.6 In the event the amount of insurance proceeds under Section 9.1 exceeds Three Hundred Fifty Thousand Dollars (\$350,000), such insurance proceeds as may be paid to Lessee and Lessor, shall be governed by the Loan Documents or if no Loan Documents, then deposited with Lessor to be held and disbursed for the repairing, rebuilding, restoring or replacing of the Demised Premises or any portion thereof, or any improvements from time to time situated thereon or therein in accordance with Sections 9.7 and 9.8 hereof, or with the pertinent provisions of the Loan Documents.

9.7 Except as provided below, no sums shall be paid from such proceeds toward such repairing, rebuilding, restoring or replacing unless there shall not be in existence any uncured Event of Default and it shall be first demonstrated to the reasonable satisfaction of Lessor that the amount of money necessary to provide for any such repairing, rebuilding, restoring or replacing (according to any plans or specifications which may be adopted therefor) in excess of the amount received from any such insurance policies, has been expended or provided by Lessee for such repairing, rebuilding, restoring or replacing, or that Lessee has provided cash for such amount and that the amount received from such insurance policies is sufficient to complete such work. In the event there is any amount required from Lessee in excess of the amount received from such insurance policies, Lessee shall furnish such excess funds so that the funds will be sufficient to complete such repairing, rebuilding, restoring or replacing in accordance with the provisions of this Lease, the Loan Documents and any plans and specifications submitted in connection therewith, free from any liens or encumbrances of any kind whatsoever. Funds held by Lessor shall not be unreasonably withheld, but shall be disbursed only upon the presentment of architect's or general contractor's certificates, waivers of lien, contractor's sworn statements, owner's sworn statements and other evidence of cost and payments as may be reasonably required.

9.8 Prior to making any such repairs costing in excess of Three Hundred Fifty Thousand Dollars (\$350,000), if so requested by Lessor, Lessee shall do the following or provide to Lessor the following documentation, as Lessor may reasonably require to protect its interest in the Demised Premises and Personal Property: (a) submit complete plans and specifications for such repairs prepared by an architect or general contractor whose qualifications shall be reasonably satisfactory to Lessor; (b) submit a stipulated sum construction contract made with a reputable and responsible builder or contractor, providing for the completion and payment for all work, labor and materials necessary to complete such repairs; and (c) disburse such funds as may be required to complete said repairs by a national title insurance company or other responsible escrowee at Lessee's sole cost and expense to the contractor or contractors making such repairs in installments as such work progresses and upon presentment of such certificates, waivers of lien, sworn statements and other documents as may be required by such escrowee; and (d) take such other actions or provide such other documentation to Lessor as Lessor may reasonably require to protect its interest in the Demised Premises and Personal Property

#### ARTICLE X - LESSOR'S RIGHT TO PERFORM

10.1 Should Lessee fail to perform any of its covenants herein agreed to be performed, Lessor may, upon thirty (30) days prior notice specifying the work to be done or covenants to be performed and the approximate amount be expended, but shall not be required to, make such payment or perform such covenants, and all sums so expended by Lessor thereon shall upon notice of payment by Lessor be immediately payable by Lessee to Lessor, and in addition Lessee shall reimburse Lessor for Lessor's reasonable expenses in enforcing or performing such covenants, including reasonable attorneys' fees. Any such costs or expenses incurred or payments made by Lessor shall be deemed to be Additional Rent payable by Lessee and collectible as such by Lessor.

10.2 Performance of or payment to discharge said Lessee's obligations shall be optional by Lessor and such performance and payment shall in no way constitute a waiver of, or a limitation upon, Lessor's other rights and remedies hereunder, including, without limitation, Lessor's right to declare an Event of Default for such failure.

#### ARTICLE XI - REPAIRS AND MAINTENANCE

11.1 Throughout the Term of this Lease, Lessee, at its sole cost and expense, will keep and maintain, or cause to be kept and maintained, the Demised Premises (including the grounds, sidewalks, roof, parking lots and curbs abutting the same) and the Personal Property in good order and condition without waste and in a suitable state of repair at least comparable to that which existed immediately prior to the Commencement Date (ordinary wear and tear excepted), and will make or cause to be made, as and when the same shall become necessary, all structural and nonstructural, ordinary and extraordinary, exterior and interior, replacing, repairing and restoring necessary to that end. All replacing, repairing and restoring required of Lessee shall be (in the reasonable opinion of Lessor) of comparable quality equal to the original work and shall be in compliance with all standards and requirements of law, licenses and municipal ordinances necessary to operate the Demised Premises as Facility. Lessor shall not be required to furnish any service or facility or to make any repairs or alterations in or to the Demised Premises, Lessee hereby assuming the full and sole responsibility for the condition, operation,

repair, replacement, maintenance and management of the Demised Premises, including making any repairs required by any of the Lessor's banks or financial institutions.

11.2 In the event that any part of the improvements located on any of the Demised Premises or the Personal Property shall be damaged or destroyed by fire or other casualty (any such event, being called a "**Casualty**"), Lessee shall promptly replace, repair and restore the same as nearly as possible to the condition it was in immediately prior to such Casualty, in accordance with all the terms, covenants and conditions and other requirements of this Lease and the Loan Documents applicable in the event of such Casualty. The Demised Premises and the Personal Property shall be so replaced, repaired and restored as to be of at least equal value and substantially the same character as on the Commencement Date. If the estimated cost of any such restoring, replacing or repairing is Three Hundred Fifty Thousand Dollars (\$350,000) or more, the plans and specifications for same shall be first submitted to and approved by Lessor in writing, which approval shall not be unreasonably withheld or delayed, and Lessee shall select an independent architect or engineer approved by Lessor (which approval shall not be unreasonably withheld or delayed) who shall be in charge of such repairing, restoring or replacing. Notwithstanding anything provided herein, in the event the holder of a mortgage executed by Lessor requires payment of some or all of the indebtedness thereunder and does not allow repair and rebuilding of the damaged portion of the Demised Premises or in the event such damage cannot be repaired within twelve (12) months after a casualty, Lessee may terminate this Lease upon 90 days written notice to Lessor delivered prior to the date Lessee commences any restoration of the Demised Premises. In the event of such termination of this Lease with respect to a Facility, the monthly Base Rent shall be reduced after the termination becomes effective by the then monthly Base Rate attributable to said Facility. Lessee covenants that it will give to Lessor prompt written notice, within 15 days, of any Casualty affecting the Demised Premises in excess of Seventy-Five Thousand Dollars (\$75,000).

11.3 Provided that there is no uncured Event of Default by Lessee under this Lease, Lessee shall have the right, at any time and from time to time, to remove and dispose of any Personal Property which may have become obsolete or unfit for use, or which is no longer useful in the operation of the Demised Premises, provided Lessee promptly replaces any such Personal Property so removed or disposed of with other personal property free of any security interest, liens or encumbrances, and the replacement personal property shall be of the same character, and at least equal usefulness and quality to any such Personal Property so removed or disposed of and such replacement property shall automatically become the property of and shall belong to Lessor and Lessee shall execute and deliver such bills of sale or other documents reasonably requested by Lessor to vest ownership of such replacement personal property in Lessor.

11.4 Standard for Repairs. The necessity for and adequacy of repairs to any Demised Premises on the Demised Premises pursuant to Paragraph (a) of this Article shall be measured by the standard which is appropriate for improvements of similar construction, use and class.

## ARTICLE XII - ALTERATIONS AND DEMOLITION

12.1 Lessee shall have the right during the Term to make such non-structural interior alterations, changes and improvements to the Leased Premises as may be proper and necessary for the conduct of Lessee's business, to cause the Leased Premises to conform to any legal or

regulatory requirements, for resident comfort and safety, or for the full beneficial use of the Leased Premises, so long as such improvements do not (i) exceed Seventy-Five Thousand Dollars (\$75,000) in any given calendar year and (ii) interfere with any of the purposes for which the Facility was leased or affect the roof or structure; provided, however, that Lessee shall make no (i) structural alterations, changes, or improvements, (ii) roof penetrations or (iii) improvements that exceed Seventy-Five Thousand Dollars (\$75,000) in any given calendar year without express written approval in each instance by Lessor, which consent may be withheld in Lessor's sole and absolute discretion. Lessee shall, at its expense, make any and all alterations, repairs, replacements and improvements required by any federal, state or regulatory agency or CMS, or any mortgagee of the Real Property (including any alterations, repairs, replacements and improvements required by HUD, whether as the result of any REAC inspection or otherwise) and any alterations, changes or improvements required or arising as the result of any change in, or the issuance of new, amended or modified, laws, rules, or regulations or the interpretation thereof at any time following the Commencement Date. Lessee shall pay all costs and expenses of such permitted alterations, changes, and improvements, shall make the same in a good and workmanlike manner, and in accordance with all applicable laws, codes, and regulations, and shall assure Lessor, in form reasonably satisfactory to Lessor, that payment for the same will be made by Lessee. Lessee hereby completely and fully indemnifies Lessor against any mechanic's liens or other liens or claims in connection with the making of such alterations, changes, and/or improvements. Any liens arising out of such alterations, changes, and/or improvements shall be discharged of record by Lessee within thirty (30) days after the same have been filed by payment, bonding or otherwise, as permitted by law, or within ten (10) Business Days after commencement of a foreclosure. Notwithstanding any provision of this Lease to the contrary, Lessor shall not undertake any alterations, renovations, or improvements to the Facility or otherwise commence any project or activity with respect to the Facility, which may result in any bed being taken out of service for more than seven (7) days without Lessor's prior written consent, which consent shall be subject to Lessor's sole and absolute discretion. Lessee shall not employ or retain any general contractor, contractor, subcontractor or other construction, building or other trade professional (a "Contractor") to perform or conduct any work, repairs, maintenance, alterations or improvements at or upon the Leased Premises, unless and until (i) Lessor approves the Contractor, such approval not to be unreasonably withheld, and (ii) the Contractor shall have provided Lessor with adequate evidence of general contractor liability and other insurance coverage, with Lessor named as an additional insured, in such amounts, as Lessor may require from time to time. Depending upon the nature of the alterations or improvements, Lessor reserves the right to require any Contractor to be fully bonded and/or to provide such other surety as Lessor may deem reasonably necessary.

### ARTICLE XIII - COMPLIANCE WITH LAWS AND ORDINANCES

13.1 Throughout the Term of this Lease, Lessee, at its sole cost and expense, will obey, observe and promptly comply with all present and future laws, ordinances, orders, rules, regulations and requirements of any federal, state and municipal governmental agency or authority having jurisdiction over the Demised Premises and the operation thereof as skilled care nursing, which may be applicable to such portion of the Demised Premises, the Personal Property and the Facility located therein and including, but not limited to, the sidewalks, alleyways, passageways, vacant land, parking spaces, curb cuts, curbs adjoining the Demised Premises,

whether or not such law, ordinance, order, rules, regulation or requirement shall necessitate structural changes or improvements.

13.2 Lessee shall likewise observe and comply with the requirements of all policies of public liability and fire insurance and all other policies of insurance at any time in force with respect to the Demised Premises.

13.3 Prior to the Commencement Date, Lessee shall obtain, at its sole cost and expense, all necessary approvals, certifications and licenses from all appropriate governmental agencies necessary to permit Lessee to operate each Facility as a Facility, including, without limitation, the receipt of the License permitting Lessee to operate each Facility with not less than the number of licensed beds described on **Exhibit A**, unless Lessor has agreed to a bed reduction. Lessee shall, subject to the terms of Article XX hereof, keep in good standing and in full force and effect all necessary licenses, permits and certifications required by any governmental authority for the purpose of maintaining and operating on the Demised Premises Facility of not less than the number of licensed beds described on **Exhibit B** and each Facility shall at all times, subject to the terms of Article XX hereof, continue to be qualified to and shall participate in the Medicare and Medicaid reimbursement programs.

13.4 Lessee will deliver or mail to Lessor wherever Rent is then paid and within ten (10) days following receipt thereof, copies of any notices from DEDS alleging a violation with a Substandard Quality of Care, as defined by federal regulations (i.e., deficiencies under 42 CFR 483.13 or 483.25 with scope and severity levels of F, G, H, I, J, K or L) or any notice from NJDS, the United States Department of Health and Human Services, Centers for Medicare and Medicaid Services ("**CMS**") or any governmental, quasi-governmental or other agency terminating, disqualifying or suspending, or threatening termination, disqualification or suspension, of the Medicaid or Medicare provider agreements (the "**Provider Agreements**"), the License or any other license or certification relating to the operations of each Facility or participation in any governmental or non-governmental reimbursement or third party payor program, including the Medicare or Medicaid reimbursement programs. Lessee will deliver to Lessor within seven (7) days after written request from Lessor, copies of all other notices, exit interviews, inspection reports and surveys and notices of administrative hearing or court pleadings from all state, federal and local governmental bodies regarding the Demised Premises or the Facility operated thereon. Lessee shall deliver or mail to Lessor, within seven (7) days after receipt of written notice from Lessor, copies of any notice from any governmental agency terminating or suspending, or threatening termination or suspension, of any license or certification relating to the Demised Premises or the Facility operated thereon.

#### ARTICLE XIV - DISCHARGE OF LIENS

14.1 Subject to the right to contest provided in Section 14.2 hereof and the terms of the Loan Documents, Lessee will not create or permit to be created or to remain, and Lessee will discharge, any lien, encumbrance or charge levied on account of any mechanic's, laborer's or materialman's lien or any conditional sale, security agreement or chattel mortgage, or otherwise, which might be or become a lien, encumbrance or charge upon the Demised Premises or any part thereof or the income therefrom or the Personal Property, for work or materials or personal property furnished or supplied to, or claimed to have been supplied to or at the request of Lessee.

Lessee shall have the right to purchase equipment, furniture, or furnishings (other than as a replacement for any personal property owned by Lessor and leased to Lessee hereunder) which may be subject to a security agreement or chattel mortgage provided that all payments for any such equipment, furniture or furnishings shall be paid on or prior to the due dates thereof and Lessee shall indemnify Lessor against all charges, costs and expenses that may be incurred by Lessor with respect to such security agreement or chattel mortgage.

14.2 If any mechanic's, laborer's or materialman's lien caused or charged to Lessee shall at any time be filed against any portion of the Demised Premises or Personal Property, if permitted by Lessor, Lessee shall have the right to contest such lien or charge, provided Lessee, within sixty (60) days after notice of the filing thereof, will cause the same to be discharged of record or in lieu thereof to secure Lessor against said lien by deposit with Lessor or Lender of such security (not to exceed one hundred twenty five percent (125%) of the amount thereof plus any interest, cost and penalty thereon) as may be reasonably demanded by Lessor or Lender to protect against such lien. If Lessee shall fail to cause such lien to be discharged within the period aforesaid, or to otherwise secure Lessor as aforesaid, then in addition to any other right or remedy, Lessor may, upon ten (10) days prior notice, but shall not be obligated to, discharge the same either by paying the amount claimed to be due or by processing the discharge of such lien by deposit, title endorsement or by bonding proceedings. Any amount so paid by Lessor and all costs and expenses incurred by Lessor in connection therewith shall constitute Additional Rent payable by Lessee under this Lease and shall be paid by Lessee to Lessor on demand. Except as herein provided, nothing contained herein shall in any way empower Lessee to do or suffer any act which can, may or shall cloud or encumber Lessor's or Lender's interest in the Demised Premises.

14.3 In the event that Lessor determines in its reasonable judgment, that it is not being adequately represented by counsel for Lessee in any contest referred to in Section 14.2 hereof, Lessor may, upon ten (10) days prior written notice to Lessee, obtain separate counsel to represent it in such contest. In such event, the cost of such counsel shall be paid by Lessee. In the event that Lessor determines, in its reasonable judgment, that Lessee has abandoned any contest referred to in Section 14.2 above, or that Lessee is not pursuing any such contest with due diligence, Lessor may, upon ten (10) days prior written notice to Lessee, discharge such lien by paying the amount claimed to be due from the security deposited by Lessee pursuant to the terms of said Section 14.2.

#### ARTICLE XV - INSPECTION OF PREMISES AND RECORDS BY LESSOR

15.1 With no less than 24 hours prior written notice during normal business hours, Lessor or its authorized representatives shall have the right to enter and inspect the Demised Premises and Personal Property provided an employee or representative of Lessee accompanies Lessor or its authorized representative in such inspection.

15.2 With no less than 24 hours prior written notice during normal business hours to Lessee, Lessor or its authorized representatives shall have the right to inspect, and, at Lessor expense, make copies of, the books and records relating to the Demised Premises and the Facility, including, without limitation, to the extent permitted by applicable law all patient records, employment records, surveys and inspections reasonably required by Lessor.

15.3 Lessor agrees that upon entering and inspecting the Demised Premises, Personal Property and books and records Lessor shall take all reasonable measures to avoid disruption to Lessee's routine business operation during any such entries and the person or persons will cause as little inconvenience to the Lessee, its employees and residents of the Facility as may reasonably be possible under the circumstances and will comply with all applicable governmental rules, regulations and statutes including Health Insurance Portability and Accountability Act.

#### ARTICLE XVI - CONDEMNATION

16.1 If any of the Demised Premises is taken (other than on a temporary basis) by the exercise of the power of eminent domain, or sold under eminent domain proceedings, this Lease, solely as to the portion of the Demised Premises so taken or sold, shall terminate as of the date possession is taken by the condemnor or such sale is concluded; and subject to Section 16.2 below, this Lease shall continue as to the remainder of the Demised Premises.

16.2 If a portion, but less than all, of a Facility is taken by the exercise of the power of eminent domain or sold under eminent domain proceedings and Lessee reasonably believes that in light of such exercise of eminent domain or sale pursuant to eminent domain proceedings, it can no longer operate such Facility in materially the same manner as prior to the exercise of eminent domain and such belief is consistent with reasonable business practices, then Lessee may either (a) terminate this Lease solely as to such Facility or (b) subject to the consent and approval of Lessor and Lender, with reasonable diligence, restore or rebuild to the extent reasonably practicable any improvements at or about such Facility affected by the taking with the proceeds from the condemnation award. In the event the amount awarded shall be insufficient to repair and restore the Demised Premises, Lessee shall contribute the amount of any such deficiency.

16.3 In the event that all or less than all of the Demised Premises are taken or so sold, and this Lease shall terminate as provided herein as to a Facility, Lessee shall be entitled to any award that it can prove for damage to its leasehold interest, provided that such award is separately allocated to Lessee by the condemning authorities and does not reduce the Lessor's award in any respect.

16.4 If this Lease is terminated pursuant to this Article XVI as to an entire Facility, the monthly Base Rent shall be reduced after such termination becomes effective by the then monthly Base Rent attributable to such Facility. In no other circumstance described in this Article XVI shall monthly Base Rent be reduced.

#### ARTICLE XVII - INTENTIONALLY OMITTED

#### ARTICLE XVIII - ASSIGNMENT AND SUBLETTING

18.1 During the Term of this Lease, Lessee shall not assign this Lease or in any manner whatsoever sublet, assign, encumber or transfer all or any part of the Demised Premises or in any manner whatsoever transfer, assign or encumber any interest in the Demised Premises (whether by management agreement, or otherwise) or any interest in this Lease (an

**"Assignment"**) without the prior written consent of Lessor, in its sole discretion. As a condition of granting its consent, Lessor will request, and Lessee shall provide to Lessor, resumés and financial statements for any proposed transferee. Lessee acknowledges and agrees that Lessor has specifically chosen Lessee to operate each Facility based upon the skill and expertise of Lessee and its principals in operating Facility in the State of New Jersey and upon the character and reputation of such principals. Accordingly, it shall not be deemed unreasonable for Lessor to withhold its consent to any proposed sublease or assignment to an entity, the principals of which, at a minimum, have not operated comparable Facility facilities and maintained profitable operations in such comparable facility in each of the three (3) calendar years prior to the year of the proposed sublease or assignment. Prior to any transfer of possession of the Demised Premises to such transferee, any proposed transferee shall assume all the obligations of Lessee transferred hereunder. In the event any transferee commits an Event of Default, such act or omission shall be deemed an Event of Default hereunder on behalf of the Lessee. Any violation or breach or attempted violation or breach of the provisions of this Article by Lessee, or any acts inconsistent herewith shall vest no right, title or interest herein or hereunder or in the Demised Premises in any such transferee or assignee; and Lessor may, at its exclusive option, invoke the provisions of this Lease relating to default. As a condition of granting its consent to any sublease or assignment: (x) Lessee shall pay, and Lessee hereby agrees to pay, any reasonable out of pocket third party costs and expenses of Lessor and its Lender incurred in connection with such sublease or assignment, including, without limitation, all due diligence costs and attorneys' fees; and (y) Lessee shall deliver to Lessor, a certified listing of the names and addresses of all members, shareholders, partners or co-venturers of the new assignee and shall require new assignee to forward an updated listing to Lessor within ten (10) days of any change thereof.

18.2 For purposes of this Article and subject to the terms of the Term Loan and Security Agreement:

(a) Any transfer or transfers of the managerial duties or membership interests in Lessee (or stock in a corporate lessee, partnership interests in a partnership lessee or stock in a corporate general partner of a partnership lessee, as the case may be) however accomplished, whether in a single transaction or in a series of related or unrelated transactions, which result in a change in ownership in more than forty percent (40%) in the aggregate of such membership interests in Lessee (or stock in a corporate lessee, partnership interests in a partnership lessee or stock in a corporate general partner of a partnership lessee, as the case may be) shall be deemed an assignment of this Lease.

(b) Any person, corporation, limited liability company or other entity to whom Lessee's interest under this Lease passes by operation of law, or otherwise, shall be bound by the provisions of this entire Lease and this Article, and except for subsequent subleases, assignments or transfers permitted by this Article, shall obtain the consent of Lessor to any subsequent sublease, assignment, encumbrance or transfer or such event shall be deemed an Event of Default hereunder.

(c) An agreement by any person, corporation or other entity, directly or indirectly, to assume Lessee's obligations under this Lease shall be deemed an assignment.

(d) If Lessee is a corporation, partnership, limited liability company, or other entity, the term "assignment" also includes any change in the manager, general partner or director of the entity.

(e) A "Change of Control" (as defined in the Term Loan and Security Agreement) of Lessee shall constitute an assignment of this Lease which if not consented to in writing in advance by Agent, shall also constitute an Event of Default by Lessee hereunder.

18.3 Conditions of Permitted Assignment. If Lessor and Lender approves any proposed Assignment, the following conditions shall apply:

(a) At the time of transfer there shall be no then existing report issued by a governmental agency of noncompliance of such Facility with any condition of participation under the Medicare or Medicaid programs; and

(b) There shall be no outstanding notice or plan given by the Lessee to any governmental agency of the intent of the Lessee to evacuate such Facility or otherwise transfer the residents;

(c) The proposed assignee must obtain the requisite establishment approval of the appropriate governmental authorities having jurisdiction over the health facility; and

(d) Lessee shall remain responsible for the performance of all obligations and payment of all sums coming due under this Lease in the event that there is a subletting of the Demised Premises.

#### ARTICLE XIX - EVENTS OF DEFAULT

19.1 Subject to Section 20.1 below, the occurrence of any of the following acts or events shall be deemed to be a default ("**Events of Default**") on the part of the Lessee:

(a) The failure of Lessee to pay when due any Rent payment, or any part thereof, or any other sum or sums of money due or payable to Lessor under the provisions of this Lease;

(b) The failure of Lessee to perform, or the violation by Lessee of, any of the material covenants, terms, conditions or provisions of this Lease, if such failure or violation shall not be cured within thirty (30) days after written notice thereof by Lessor to Lessee;

(c) The failure of Lessee to comply with, or the violation by Lessee of, any of the terms, conditions or provisions of the Loan Documents (except for those terms, conditions or provisions (i) requiring the making of principal or interest payments or (ii) which relate specifically to Lessor or its beneficiary, and with which Lessee is not capable of complying (such as a breach as to distributions made by Lessor if contrary to the Term Loan and Security Agreement), if such failure or violation shall not be cured within thirty (30) days after written notice thereof by Lessor to Lessee (or such lesser period as may be provided in the Loan Documents);

(d) The removal by any local, state or federal agency having jurisdiction over the operation of the Facility of ten percent (10%) or more of the residents located at such Facility for a period of ten (10) days or more, except as a result of an evacuation;

(e) The making by Lessee of an assignment for the benefit of creditors;

(f) The levying of a writ of execution or attachment on or against the property of Lessee which is not discharged or stayed by action of Lessee contesting same, within thirty (30) days after such levy or attachment (provided if the stay is vacated or ended, this section shall again apply);

(g) If proceedings are instituted in a court of competent jurisdiction for the reorganization, liquidation or involuntary dissolution of the Lessee or its adjudication as a bankrupt or insolvent, or for the appointment of a receiver of the property of Lessee, and said proceedings are not dismissed and any receiver, trustee or liquidator appointed therein discharged within sixty (60) days after the institution of said proceedings;

(h) The sale of the interest of Lessee in any of the Demised Premises or Personal Property under execution or other legal process;

(i) Any conveyance or transfer in violation of Article XVIII hereof;

(j) The abandonment of any of the Demised Premises by Lessee ;

(k) Subject to Lessee's right to contest as provided in Article XX hereof, the failure on the part of Lessee during the Term of this Lease to cure or abate any written violation claimed by any governmental authority, of any law, order, ordinance, rule or regulation pertaining to the operation of the Facility within the time permitted for such cure or abatement;

(l) Subject to Lessee's right to contest as provided in Article XX hereof, the institution of any proceedings against Lessee by any governmental authority either to: (i) revoke any license granted to Lessee for the operation of the Facility as an skilled care facility; or (ii) decertify the Facility from participation in the Medicare or Medicaid reimbursement program;

(m) Any state or governmental deficiencies that Lessee has not, in good faith, corrected within the required timeframes set forth under any applicable law or as otherwise allowed by such state or other governmental authority;

(n) Any delinquent bed taxes owed to the State of New Jersey that have not been brought current by Lessee within any applicable cure or grace period under applicable law, and the State of New Jersey shall have provided written notice of its intention to take action in connection therewith that would materially interfere with operation of the Facility; and

19.2 Lessee's interest in the occurrence of any of the events listed in this Article 19 by any party to whom the Demised Premises has been sublet or transferred shall be an Event of Default hereunder. The occurrence of any of the following acts or events shall be deemed to be a default on the part of Lessor ("**Lessor Default**"):

(a) Except as permitted herein, Lessor's material interference with Lessee's quiet enjoyment of the Demised Premises and Personal Property, provided the Lessee is not in default under the terms of this Lease; or

(b) The failure of Lessor to perform, or the violation by Lessor of, any of the other material covenants, terms, conditions or provisions of this Lease, if such failure or violation shall not be cured within thirty (30) days after written notice thereof by Lessee to Lessor; provided, however, said 30-day period shall be extended so long as Lessor is diligently prosecuting said cure to completion.

#### ARTICLE XX - RIGHT TO CONTEST/CURE

20.1 Except for an Event of Default of Lessee in the payment of Rent or any additional payment required hereunder, in any case where Lessor shall have given to Lessee a written notice specifying a situation which, as hereinbefore provided, must be remedied by Lessee within a certain time period, and, if for causes beyond Lessee's control, it would not reasonably be possible for Lessee to remedy such situation within such period, then, provided Lessee can cure said Event of Default and immediately upon receipt of such notice, shall advise Lessor in writing of Lessee's intention to institute, and shall, as soon as reasonably possible thereafter, duly institute, and thereafter diligently prosecute to completion, all steps necessary to remedy such situation and shall remedy the same, Lessee's grace period to complete said remedy (but not exceeding a total of ninety (90) days following the initial delivery by Lessor to Lessee of the written notice of default) and effectuate a cure shall be extended; provided, however, that: (a) no civil or criminal liability would thereby be incurred by Lessor and no lien or charge would thereby be imposed upon or satisfied out of all or any part of the Demised Premises or the Personal Property; and (b) there continues during such remedy authority to continue to operate the Facility as a Facility (which may be temporary or provisional), (c) Lessor does not reasonably object, and (d) such Event of Default does not jeopardize the License or the Provider Agreements, or the operations, certifications or value of the Demised Premises or the Personal Property.

20.2 Lessee shall promptly provide Lessor with a copy of any notice from any governmental authority or agency threatening or requesting a reduction in the number of licensed beds at the Facility. Lessee shall have the right to contest any such reduction and shall notify Lessor within fifteen (15) days following the date of such notice (or such shorter period as required to provide notice to Lessor not later than ten (10) days prior to the cutoff date for any such contest) whether or not Lessee shall undertake such contest. If Lessee fails to contest any such reduction, Lessor may, following written notice to Lessee of its intent to do so, contest any such reduction. Lessor shall additionally have the right to intervene in any such contest dealing with a reduction in the number of beds at the Facility.

20.3 The cost for any contest permitted under this Article XX shall be borne by the Lessee. Lessor, at any time during any contest, may participate in the same, provided, that in the event Lessor determines in its reasonable discretion that Lessee is not adequately pursuing such contest to its conclusion, Lessee shall reimburse Lessor for any costs incurred in connection with such contest, which shall be deemed Rent hereunder.

## ARTICLE XXI - LESSOR'S REMEDIES UPON DEFAULT

21.1 Upon the occurrence of an Event of Default by Lessee, Lessor may, if it so elects, and with notice of such election to Lessee, and upon demand upon Lessee, forthwith terminate this Lease, and Lessee's right to possession of the Demised Premises and the Personal Property, or, at the option of Lessor, terminate Lessee's right to possession of the Demised Premises and the Personal Property without terminating this Lease. Upon any such termination of this Lease, or upon any such termination of Lessee's right to possession without termination of this Lease, Lessee shall vacate the Demised Premises immediately, and shall quietly and peaceably deliver possession thereof to Lessor together with the Personal Property, and Lessee hereby grants to Lessor full and free license to enter into and upon the Demised Premises in such event with process of law and to repossess the Demised Premises and Personal Property as Lessor's former estate. In the event of any such termination of this Lease, Lessor shall again have possession and enjoyment of the Demised Premises and Personal Property to the extent as if this Lease had not been made, and thereupon this Lease and everything herein contained on the part of Lessee to be done and performed shall (subject to the provisions of this Article XXI and Article XXIII below) cease and terminate, all, however, without prejudice to and without relinquishing the rights of Lessor to Rent (which, upon such termination of this Lease and entry of Lessor upon the Demised Premises, shall, in any event, be the right to receive Rent due up to the time of such entry) or any other right given to Lessor hereunder or by operation of law, and which includes, but is not limited to the Lessee's indemnification obligations to the Lessor; Lessee's assistance in transferring the facility licenses and other governmental permits to the Lessor; Lessee's transfer of its right title and interest in their receivables as of the date of the termination; and all of the Lessee's books and records for the facilities.

21.2 In the event of a declared Event of Default and Lessor elects either to terminate this Lease or to terminate Lessee's right to possession of the Demised Premises, then all licenses, certifications, permits and authorizations issued by any governmental agency, body or authority in connection with or relating to the Demised Premises or the Facility thereon shall be deemed as being assigned to Lessor to the extent the same are legally assignable. Lessor shall also have the right to continue to utilize the telephone numbers, internet domain and name used by Lessee in connection with the operation of such Facility. In connection with the foregoing clauses of this Section 21.2, this Lease shall be deemed and construed as an assignment for purposes of vesting in Lessor all right, title and interest in and to (a) all licenses, certifications, permits and authorizations obtained in connection with the operation of each Facility and (b) the names and telephone numbers used in connection with the operation of each Facility. Lessee hereby agrees to take such other action and execute such other documents as may be reasonably necessary in order to vest in Lessor all right, title and interest to the items specified herein.

21.3 If Lessee abandons the Demised Premises or otherwise entitles Lessor so to elect, and Lessor elects to terminate Lessee's right to possession only, without terminating this Lease, Lessor may, at its option, enter into the Demised Premises, remove Lessee's signs and other evidences of tenancy and take and hold possession thereof as in the foregoing Section 21.1 of this Article provided, without such entry and possession terminating this Lease or releasing Lessee, in whole or in part, from Lessee's obligation to pay the Rent hereunder for the full remaining term of this Lease, and in any such case, Lessee shall pay to Lessor a sum equal to the entire amount of the Rent reserved hereunder and required to be paid by Lessee up to the time

of such termination of the right of possession plus any other sums then due hereunder. Upon and after entry into possession without termination of this Lease, Lessor may attempt to relet the Demised Premises or any part thereof for the account of Lessee for such rent, or may operate such Facility for such time and upon such terms as Lessor in its sole discretion shall determine. In the event Lessor elects to take possession and operate the Demised Premises any profits due to such operation shall reduce the rents payable hereunder. In any such case, Lessor may make repairs, alterations and additions in or to the Demised Premises, to the extent reasonably deemed by Lessor desirable, and Lessee shall, upon demand, pay the cost thereof, together with Lessor's expenses of reletting. If the consideration collected by Lessor upon any such reletting is not sufficient to pay monthly the full amount of Rent reserved in this Lease, together with the costs of repairs, alterations, additions and Lessor's expenses (repairs for normal wear and tear excepted), Lessee shall pay to Lessor the amount of each monthly deficiency upon demand.

21.4 Unless waived in writing by Lessor after the occurrence of an Event of Default, Lessee's liability to Lessor for damages upon the occurrence of an Event of Default shall in all events survive the termination by Lessor of this Lease or the termination by Lessor of Lessee's right to possession only, as hereinabove provided. Upon such termination of this Lease or at any time after such termination of Lessee's right to possession, Lessor may recover from Lessee and Lessee shall pay to Lessor as liquidated and final damages, whether or not Lessor shall have collected any current monthly deficiencies under the foregoing Section, and in lieu of such current deficiencies after the date of demand for such final damages, the amount thereof found to be due by a court of competent jurisdiction, which amount thus found shall be equal to:

(a) the remainder, if any, of Rent and charges due from Lessee for the period up to and including the date of the termination of this Lease or Lessee's right to possession; plus

(b) the amount of any current monthly deficiencies accruing and unpaid by Lessee up to and including the date of Lessor's demand for final damages hereunder; plus

(c) the excess amount, if any, of: (1) the Rent reserved for what would have been the remainder of the Term of this Lease together with charges to be paid by Lessee under this Lease less (2) the then fair rental value of the Demised Premises and the Personal Property. If any statute or rule governing a proceeding in which such liquidated final damages are to be proved shall validly limit the amount thereof to an amount less than the amount above agreed upon, Lessor shall be entitled to the maximum amount allowable under such statute or rule of law.

21.5 No receipt of funds by Lessor from Lessee after service of any notice of an Event of Default, termination of this Lease or of possession of the Demised Premises or after commencement of any suit or proceeding of Lessee shall in any way reinstate, continue or extend this Lease or in any way affect the notice of the Event of Default or demand or in any way be deemed a waiver by Lessor of any of its rights unless consented to in writing by Lessor.

#### ARTICLE XXII - LIABILITY OF LESSOR

It is expressly agreed by the parties that, except as otherwise provided for in this Lease, Lessor shall not be liable for any damages whatsoever to Lessee beyond the loss of Rent reserved in this Lease accruing after or upon any act or breach hereunder on the part of Lessor and for which

damages may be sought or recovered by Lessor.

#### ARTICLE XXIII - CUMULATIVE REMEDIES OF LESSOR

The specific remedies to which Lessor may resort under the terms of this Lease are cumulative and are not intended to be exclusive of any other remedies or means of redress to which Lessor may be lawfully entitled in case of any breach or threatened breach by Lessee of any provision or provisions of this Lease. The failure of Lessor to insist, in any one or more cases, upon the strict performance of any of the terms, covenants, conditions, provisions or agreements of this Lease, or to exercise any option herein contained, shall not be construed as a waiver or relinquishment for the future of any such term, covenant, condition, provisions, agreement or option.

#### ARTICLE XXIV - INTENTIONALLY OMITTED

#### ARTICLE XXV - INDEMNIFICATION

25.1 Lessee agrees to protect, indemnify and save harmless Lessor from and against any claims, demands, losses, and causes of action of any nature whatsoever asserted against or incurred by Lessor on account of: (a) any failure on the part of Lessee during the Term of this Lease to perform or comply with any of the terms of this Lease; (b) injury to or death of persons or loss of or damage to property, occurring on the Demised Premises or any adjoining sidewalks, streets or ways or in any manner growing out of or connected with the use or occupation of the Demised Premises or the condition thereof, or the use of any existing or future sewer system, or the use of any adjoining sidewalks, streets or ways occurring after the Commencement Date; (c) any claims, penalties, recoveries, interest, monetary sanctions, fees, or other liabilities imposed by a governmental agency or by a third party insurance company related to the operations of or payments made to the Facility while Lessee was providing skilled care nursing services; or (d) additional costs incurred by Lender to monitor the Facility after the occurrence of any of the events set forth in Section 19.1. Lessee further agrees to pay any reasonable attorneys' fees and expenses incident to the defense by Lessor of any such claims, demands or causes of action.

25.2 Lessor agrees to indemnify, defend and save harmless Lessee from and against any liabilities, losses, claims, demands and causes of action whatsoever asserted against or incurred by Lessee on account of: (a) any failure on the part of Lessor during the Term of this Lease to perform or comply with any of the terms of this Lease; and (b) any failure on the part of Lessor to perform or comply with the terms of the Loan Documents (unless such failure is caused in whole or in part by acts or omissions of Lessee). Lessor further agrees to pay any reasonable attorneys' fees and expenses incident to the defense by Lessee of any such claims, demands or causes of action. There is expressly excluded from Lessor's indemnity hereunder any claim or proceeding by Lessee (i) which is based upon the physical condition of the Demised Premises or Personal Property prior to the Commencement Date, or (ii) any form of relief not satisfied by the payment of money.

25.3 In the event that any liability, claim, demand or cause of action which is indemnified against by or under any term, provision, section or paragraph of this Lease ("**Indemnitee's Claim**") is made against or received by any indemnified party (hereinafter "**Indemnitee**") hereunder, said Indemnitee shall notify the indemnifying party (hereinafter "**Indemnitor**") in writing within thirty (30) calendar days of Indemnitee's receipt of written notice of said Indemnitee's Claim, provided, however, that Indemnitee's failure to timely notify Indemnitor of Indemnitee's receipt of an Indemnitee's Claim shall not impair, void, vitiate or invalidate Indemnitor's indemnity hereunder nor release Indemnitor from the same, which duty, obligation and indemnity shall remain valid, binding, enforceable and in full force and effect so long as Indemnitee's delay in notifying Indemnitor does not, solely by itself, directly and materially prejudice Indemnitor's right or ability to defend the Indemnified Claim. Upon its receipt of any or all Indemnitee's Claim(s), Indemnitor shall, in its sole, absolute and unreviewable discretion, diligently and vigorously defend, compromise or settle said Indemnitee's Claim at Indemnitor's sole and exclusive cost and expense to fully indemnify such claims, and shall promptly provide Indemnitee evidence thereof within fourteen (14) calendar days of the final, unappealable resolution of said Indemnitee's Claim. Upon the receipt of the written request of Indemnitee, Indemnitor shall within ten (10) business days provide Indemnitee a true, correct, accurate and complete written status report regarding the then current status of said Indemnitee's Claim. Prior to an Indemnification Default (as defined herein), Indemnitee may not settle or compromise an Indemnitee's Claim without Indemnitor's prior written consent. Failure to obtain such consent shall be deemed a forfeiture by Indemnitee of its indemnification rights hereunder. In the event that Indemnitor fails or refuses to indemnify, save, defend, protect or hold Indemnitee harmless from and against an Indemnitee's Claim and/or to diligently pursue the same to its conclusion, or in the event that Indemnitor fails to timely report to Indemnitee the status of its efforts to reach a final resolution of an Indemnitee's Claim, which failure to report causes Indemnitee material harm, on seven (7) calendar days prior written notice to Indemnitor during which time Indemnitor may cure any alleged default hereunder, the foregoing shall immediately, automatically and without further notice be an Event of Default hereunder (an "**Indemnification Default**") and thereafter Indemnitee may, but shall not be obligated to, immediately and without notice to Indemnitor, except such notice as may be required by law and/or rule of Court, intervene in and defend, settle and/or compromise said Indemnitee's Claim at Indemnitor's sole and exclusive cost and expense, including but not limited to attorneys' fees, and, thereafter, within seven (7) calendar days of written demand for the same Indemnitor shall promptly reimburse Indemnitee all said Indemnitee's Claims and the reasonable costs, expenses and attorneys' fees incurred by Indemnitee to defend, settle or compromise said Indemnitee's Claims.

#### ARTICLE XXVI - SUBORDINATION PROVISIONS

26.1 Notwithstanding any provision of this Lease to the contrary, this Lease (and Lessee's interest in the Demised Premises and Personal Property) shall be subject and subordinate to the Loan Documents. Lessee shall execute and deliver such documents as may be required in order to evidence such subordination; provided that such documents shall not affect any of the provisions of this Lease relating to the amount of Rent, the purposes for which the Demised Premises may be used, the size or location of the Demised Premises, the duration or Commencement Date of the Term, nor modify any representations, covenants or warranties made by Lessor hereunder, Lessor shall use best efforts to ensure such documents shall contain

such customary non-disturbance provisions reasonably acceptable to Lessee whereby, provided Lessee is not in default under this Lease, Lessee shall have the right to remain in possession of each Facility without disturbance after default by Lessor of the Loan Documents.

26.2 Notwithstanding anything to the contrary contained herein, it is understood, agreed and acknowledged that, Lessor shall have the right to finance and refinance (and guaranty such financing or refinancing), from time to time, the Demised Premises and Personal Property, and grant a mortgage, deed or security interest thereon, to assign or pledge any or all of its interest in this Lease and to assign or pledge the revenues and receipts to be received by Lessor hereunder to a third party.

26.3 Upon Lessee's request, Lessor will use its best efforts to secure from Lender its standard form non-disturbance agreement reasonably acceptable to Lessee whereby, provided Lessee is not in default under this Lease, Lessee shall have the right to remain in possession of each Facility without disturbance after any default by Lessor of the Loan Documents.

#### ARTICLE XXVII - LESSEE'S FAITHFUL COMPLIANCE WITH LOAN DOCUMENTS AND FUTURE HUD REQUIREMENTS

27.1 Anything in this Lease contained to the contrary notwithstanding Lessee shall at all times and in all respects fully, timely and faithfully comply with and observe each and all of the conditions, covenants, and provisions required on the part of Lessor under the Term Loan and Security Agreement and the other Loan Documents to which this lease is subordinate or to which it later may become subordinate, including, without limitation, such conditions, covenants and provisions thereof as related to the financial covenants, related to operations, related to the care, maintenance, repair, replacement, insurance, restoration, preservation and condemnation of the Demised Premises or Personal Property, notwithstanding that such conditions, covenants and provisions may require compliance and observance to a standard or degree in excess of that required by the provisions of this Lease, or may require performance not required by the provisions of this Lease. Notwithstanding the foregoing or anything else contained in this Lease to the contrary, if any Loan Documents require compliance, observance or performance to a standard or degree in excess of that required by the terms of this Lease, Lessee shall comply with such standard, degree or additional performance provided, however, that the amount by which the third-party costs expended by Lessee to achieve such standard, degree or additional performance exceed the third party costs to achieve the standard of performance required by the existing Loan Documents and this Lease shall be paid by Lessor. Lessee further agrees that it shall not do or permit to be done anything which would constitute a breach of or default under any obligation of Lessor under the Loan Documents, it being the intention hereof that Lessee shall so comply with and observe each and all of such covenants, conditions and provisions of any Loan Document affecting the Demised Premises or the Personal Property so that they will at all times be in good standing and there will not be any default on the part of Lessor thereunder. However, nothing in this Article shall be construed to obligate Lessee to pay any part of the principal or interest secured by the Loan Documents or to deposit any reserves (other than monthly tax and insurance reserves, and replacement reserves to the extent expressly provided for elsewhere in this Lease). Lessee specifically acknowledges and agrees that it may not sublet

or assign all or any portion of the Demised Premises or its interests under this Lease without Lessor first obtaining the written consent of Agent.

27.2 Notwithstanding anything to the contrary contained herein, at no cost to Lessor, Lessee further agrees to reasonably cooperate and allow the granting to an FHA Mortgagee of a subordinate security interest in Lessee's accounts and other assets, to execute loan and bank documents (in form and substance acceptable to Lessee) (collectively, the "**HUD AR Loan Documents**") in connection with the same, including an Intercreditor Agreement and Rider to Intercreditor Agreement, and to setup and maintain lockboxes to effectuate the same, provided that such security interest shall be subordinate to the lien of any working capital line secured by Lessee.

27.3 From and after the time the Lessor's obligations under the Term Loan and Security Agreement and the other Loan Documents have been paid and the Mortgage (as defined in the Term Loan and Security Agreement) has been released, (i) the references to the Term Loan and Security Agreement shall be deemed to refer to any loan or credit agreement entered into by Lessor from time to time, (ii) the reference to Agent shall be deemed to refer to the agent, if any, under such other loan or credit agreement, and if none, then to the lender(s) thereunder, (iii) the reference to Lender(s) shall be deemed to refer to the lender(s) under such other loan or credit agreement, (iv) the references to Loan Documents shall be deemed to refer to the documents from time to time evidencing, securing or guarantying the obligations of Lessor under such other loan or credit agreement and (v) the references to a mortgage shall be deemed to refer to any mortgage securing the obligations of Lessor under such other loan and credit agreement; provided, however, in the event there exists at any time more than one such loan or credit agreement, all of the foregoing references shall be to the one that is senior to the other(s).

#### ARTICLE XXVIII - LOAN DOCUMENT RESERVES

28.1 Any monthly tax or insurance reserves and other reserves, such as CAPEX and replacement reserves, required by Lessor or Lender shall be paid by the Lessee to Lessor and shall be repaid to Lessee when Lender repays such sums to Lessor, but no less than \$350 per bed per year.

#### ARTICLE XXIX - LESSEE'S ATTORNMENT

29.1 Lessee covenants and agrees that, if by reason of a default upon the part of Lessor herein in the performance of any of the terms and conditions of the Loan Documents and the Lender forecloses on the estate of Lessor in the Demised Premises, Lessee will attorn to the then holder of such mortgage, grantee of a deed in lieu or the purchaser in such foreclosure proceedings, as the case may be, and will recognize such holder of the mortgage, grantee of a deed in lieu or such purchaser as Lessor under this Lease. Lessee covenants and agrees to execute and deliver, at any time and from time to time, upon the request of Lessor, or of the holder of such mortgage, grantee of a deed in lieu or the purchaser in foreclosure proceedings, any instrument which may be necessary or appropriate to evidence such attornment. In the event any such proceedings are brought against Lessor under such mortgage or the holder of any such mortgage forecloses the lien thereof, then Lessee further waives the provisions of any statute or rule or law now or hereafter in effect which may terminate this Lease or give or purport to give

Lessee any right of election to terminate this Lease or to surrender possession of the Demised Premises and agrees that, pending any final order, this Lease shall not be affected in any way whatsoever by any such proceedings.

### ARTICLE XXX - REPRESENTATIONS

#### 30.1 Lessor represents and warrants as follows:

(a) Lessor is New Jersey limited liability company, is duly organized and validly existing under the laws of the State of New Jersey, and validly existing and qualified to do business in the State of New Jersey, and has the full right and power to enter into, and perform its obligations under this Lease and all agreements or documents entered into or executed in connection therewith, and has taken all requisite actions to authorize the execution, delivery and performance of this Lease and all agreements and documents entered into or executed in connection therewith.

(b) Neither the execution and delivery of this Lease, nor any agreement referred to or contemplated hereby, by Lessor will violate any provision of its Operating Agreement, be in conflict with, constitute a default or create a right of termination or cancellation under any agreement or commitment to which Lessor is a party.

(c) Except for any Loan Documents and except for documents of record as of the date hereof:

(i) Lessor has or on the Commencement Date will have valid title to the Demised Premises and the Personal Property, free and clear of all liens, charges, security interests, leasehold rights or interests, reservation, restrictions, adverse claims, encumbrances and other defects in or limitations on title other than liens for taxes not yet due and payable (collectively, "**Encumbrances**");

(ii) Lessor has or will on the Commencement Date have authority to convey a leasehold interest in and to the Demised Premises and Personal Property to Lessee, pursuant to this Lease, free and clear of all Encumbrances.

(d) No representation or warranty by or on behalf of Lessor contained in this Lease and no statement by or on behalf of Lessor in any certificate, list, exhibit or other instrument furnished or to be furnished to Lessee by or on behalf of Lessor pursuant hereto contains any untrue statement of a material fact, or omits or will omit to state any material facts which are necessary in order to make the statements contained therein, in light of the circumstances under which they are made, not misleading in any material respect.

(e) Unless otherwise indicated in a specific representation or warranty contained herein, each representation and warranty of Lessor hereunder shall be true, complete and correct in all material respects as of the date hereof and as of the Commencement Date with the same force and effect as though such representation or warranty made on such date, and all representations and warranties shall survive the Lease for a period of one (1) year, provided,

however, that if Lessee notifies Lessor in writing of a claim prior to the expiration of such one (1) year period, such representation or warranty shall survive until the resolution of such claim.

(f) The exhibits and schedules furnished by Lessor in connection with this Lease do not contain any untrue statement of a material fact nor do they omit to state any material fact necessary to make the statements contained herein and therein not materially misleading.

30.2 Lessee represents, warrants and covenants to Lessor as follows:

(a) Lessee is New Jersey limited liability company, duly organized and validly existing in good standing under the laws of the State of New Jersey, and validly existing and qualified to do business in the State of New Jersey, and has full right and power to enter into, or perform its obligations under this Lease and has taken all requisite actions to authorize the execution, delivery and performance of this Lease.

(b) Lessee acknowledges that it has inspected the Demised Premises and the Personal Property and, subject to the representations and warranties of Lessor provided above and further subject to the other terms and conditions of this Lease, agrees to lease the same in its present "AS IS-WHERE IS" condition. Lessee further acknowledges that Lessor is purchasing the Demised Premises and Personal Property pursuant to the APA, and except as set forth in this Lease, Lessor makes no representations, express or implied, as to the physical condition of the Demised Premises and the Personal Property or any other matter or thing affecting or related to the Demised Premises or the Personal Property (including without limitation any recoupments by governmental payors with respect to periods prior to the Commencement Date).

(c) In addition to all other covenants contained herein, Lessee expressly covenants that they shall keep and maintain at each Facility at all times in good order and repair all items of Personal Property necessary for operating each Facility for not less than the number of licensed beds described on **Exhibit B** in full compliance with all material laws, rules and regulations of DEEDS. Lessee shall maintain all such items in good order and repair, subject to reasonable wear and tear, and shall promptly replace any such items which become obsolete, damaged or destroyed with substitute items equivalent to that which has been replaced and such replacement items shall become and be deemed the personal property of Lessor.

(d) No representation or warranty by or on behalf of Lessee contained in this Lease and no statement by or on behalf of Lessee in any certificate, list, exhibit, schedule or other instrument furnished or to be furnished to Lessor by or on behalf of Lessee pursuant hereto contains any untrue statement of a substantial fact, or omits or will omit to state any substantial facts which are necessary in order to make the statements contained therein, in light of the circumstances under which they are made, not misleading in any substantial respect.

(e) Unless otherwise indicated in a specific representation or warranty contained herein, each representation and warranty of Lessee hereunder shall be true, complete and correct in all material respects as of the Commencement Date with the same force and effect as though such representation or warranty was made on such date, and all representations and warranties shall survive the Commencement Date for a period of one (1) year, provided, however,

that if Lessor notifies Lessee in writing of a claim prior to the expiration of such one (1) year period, such representation or warranty shall survive until the resolution of such claim.

ARTICLE XXXI - INTENTIONALLY OMITTED.

ARTICLE XXXII - INTENTIONALLY OMITTED

ARTICLE XXXIII - FINANCIAL STATEMENTS

33.1 Subject to the terms of the Term Loan and Security Agreement and Section 27.1 of this Lease, not later than required by the Loan Documents, but in all events within one hundred twenty (120) days after the end of each of its fiscal years, Lessee shall furnish to Lessor full and complete reviewed financial statements (only if required by Lessor's lender) of the operations of the Demised Premises and each Facility for such annual fiscal period which shall be certified by the manager of Lessee that such Financial Statements present fairly the financial condition of Lessee, and which shall contain a statement of capital changes, balance sheet and detailed income and expense statement and be provided as follows: (a) within sixty (60) days after the end of each of its fiscal quarters, such reports for the fiscal quarter dated as of the end of each fiscal quarter, and (b) within one hundred twenty (120) days after the end of each of its fiscal years, such reports for the annual fiscal period dated as of the end of the fiscal year (collectively, the "**Financial Statements**"). Lessee shall also furnish to Lessor a copy of its cost report within ten (10) days after filing thereof. Each such statement shall be certified as being true and correct by an officer of Lessee. If required by terms of the Loan Documents, the Financial Statements shall be prepared by a Certified Public Accountant.

33.2 Within fifteen (15) days after the end of each month, Lessee shall furnish to Lessor a daily breakdown of its census and copies of all Financial Statements for the operation of the Facility on the Demised Premises for the preceding month.

33.3 Within thirty (30) days after the date for filing Lessee's tax return (as the same may be extended), Lessee shall furnish Lessor with a copy of the tax return for each Facility for said year, certified by an officer of Lessee to be true, correct and complete.

33.4 In addition to the above financial statements, Lessee shall also provide to Lessor such other financial statement(s) or information relating to its operation as may be required by Lessor. Any such financial statement(s) or other information required by the Lessor shall be furnished to Lessor within ten (10) days of request by Lessor.

33.5 Upon request by Lessor, Lessee shall prepare or cause to be prepared all financial covenant compliance certificates and worksheets as may be required by Lessor and shall furnish the same to Lessor within ten (10) days of request by Lessor.

33.6 At all times, Lessee shall keep and maintain full and correct records and books of account of the operations of Lessee in the Demised Premises and records and books of account of the entire business operations of Lessee in accordance with generally accepted accounting principles. Upon request by Lessor, from time to time, Lessee shall make available for inspection by Lessor or its designee, during reasonable business hours, at the Facility or Lessee's offices,

the records and books of account covering the entire business operations of Lessee on the Demised Premises.

#### ARTICLE XXXIV - LICENSURE/TERMINATION

34.1 Lessee hereby agrees to submit a complete application to DEEDS in order to obtain the License permitting Lessee to operate each Facility as a skilled nursing facility or assisted living facility, as applicable, with the number of licensed beds described on **Exhibit B**, and to promptly submit any further documents as required in order to complete such application.

34.2 Upon termination of this Lease (whether by reason of default, the natural expiration of the Term or otherwise), the following provisions shall be applicable:

(a) Upon the expiration or other termination of this Lease, Lessee shall return to Lessor the Demised Premises and the Personal Property in a condition similar to that which existed on the Commencement Date, licensed by DEEDS and by any governmental agencies having jurisdiction over the Demised Premises with at least the number of licensed beds described on **Exhibit B** (subject to any reduction in the number of licensed beds required by any governmental authority solely as a result of changes in laws, rules and regulations relating to the physical attribute of the improvements on the Demised Premises or eminent domain proceedings as described in Section 16.2 or as approved by Lessor during the term of the lease), reasonable wear and tear excepted, and free of liens or encumbrances arising through Lessee except for tax liens for current general real estate taxes or special assessments, not yet due and payable, and other expenses incurred in the ordinary course of business subject to customary prorations.

(b) Lessor shall keep and shall not be obligated to return to Lessee any Base Rent paid by Lessee. Lessee shall not be obligated to account or pay to Lessor any earnings or income earned from the Commencement Date to the termination date. Lessee shall pay all bills incurred in the ownership of the Demised Premises and operation of each Facility from the Commencement Date through the termination date, and shall receive and keep all income and suffer all losses incurred in the ownership of the Demised Premises and operation of each Facility from the Commencement Date through the termination date.

(c) During the period from the Commencement Date to the termination date:

(i) Lessee shall be responsible for the payment of all real estate taxes in accordance with the provisions of Article VI hereof;

(ii) Lessee shall maintain all required insurance and Lessee shall be liable for payment of and shall pay the premiums thereon; and

(iii) In case of termination, Lessee shall be liable to return to Lessor, the Demised Premises and all Personal Property in a condition similar to that which existed on the Commencement Date, reasonable wear and tear excepted, and free of liens or encumbrances arising through Lessee except for tax liens for current general real estate taxes or special assessments, not yet due and payable which shall be prorated to the termination date, and except

as to consumable items to the extent of consumption thereof, which, as consumed, will be replenished by Lessee, in the ordinary course of business.

(d) Upon termination of this Lease, the parties will request appropriate inspections by governmental agencies upon the return of the Demised Premises to Lessor. Lessee agrees that it will cure any violations found involving the Demised Premises or Personal Property. Lessee agrees to execute such documents and take such actions as may be required in order to restore Lessor to ownership and possession of the Demised Premises and the Personal Property, including, without limitation, execution of any assignment or change of ownership documents required to license Lessor or its assignee to operate each Facility.

(e) Lessee shall keep and maintain medical records in accordance with applicable law and permit reasonable access and copy thereof by Lessor in accordance with such law, and to the extent permitted by law.

(f) Lessee shall keep and maintain such financial and operational records (including, without limitation, cost reports/contracts) as are required for the operation of the business under applicable laws.

34.3 In the event of any Lessor Default, Lessee may, if it so elects, and with notice of such election to Lessor, terminate this Lease and shall have no further obligations to Lessor, such termination to be effective upon surrender of possession of the Demised Premises and Personal Property to Lessor. Lessee shall surrender possession of the Demised Premises and Personal Property within ninety (90) days of providing such notice to Lessor, and the provisions of Section 34.2 shall apply.

#### ARTICLE XXXV - INTENTIONALLY OMMITTED

#### ARTICLE XXXVI - HUD PROVISIONS

36.1 As an inducement to Lessor to enter into this Lease, Lessee expressly agrees as follows:

(a) Lessee acknowledges that Lessor may obtain a mortgage loan (the "HUD Loan") to be made, insured or otherwise secured by HUD and/or the Federal Housing Administration ("FHA") or other governmental authority or agency.

(b) Lessee will cooperate with Lessor and assist Lessor in applying for, obtaining, consummating and complying with the terms and provisions governing the HUD Loan, as the same may be in effect from time to time, including providing financial and operating information, information regarding the members of Lessee and any HUD related activities, executing and delivering such documents, instruments and agreements as may be required in connection therewith, including an addendum to or amendment of this Lease, a security agreement, regulatory agreement, deposit control agreement, deposit account instruction and services agreement, lock box agreement and certificates and affidavits, providing an opinion of Lessee

counsel and otherwise taking any and all actions and steps as may be necessary or advisable in order to effectuate the foregoing (collectively, the "HUD Documents").

(c) For so long as the HUD Loan is outstanding, (i) the provisions of the HUD Documents and all applicable statutes and regulations, including all amendments to such statutes and regulations, as they become effective, and all applicable requirements in HUD handbooks, notices and mortgagee letters that apply to the Leased Premises, including all updates and changes to such handbooks, notices and mortgagee letters that apply to the Leased Premises (collectively, the "HUD Program Requirements"), shall apply to the Lease, (ii) in the event of any conflict between any provision of the HUD Loan or the HUD Program Requirements and any provision of the Lease, the provision of the former shall be controlling, (iii) the Lease shall not be amended without the prior written consent of HUD and the holder of the HUD Loan (the HUD Lender"), (iv) Lessee agrees (1) to comply with all applicable provisions of the HUD Loan and HUD Program Requirements, (2) that the Lease may be part of the collateral pledged by Lessor to the HUD Lender and HUD, (3) to obtain HUD written approval prior to entering into any services agreements, easements, rights of way, licenses or other permissions and (4) that it will not take any action which would violate any applicable HUD Program Requirements or any of the HUD Documents.

(d) The Lease is and shall be subject and subordinate to the HUD Loan and HUD Documents; to all renewals, modifications, consolidations, replacements and extensions thereof; to all substitutions thereof; and to each advance made or hereafter to be made under any of the foregoing. This Section shall be self-operative and no further instrument of subordination shall be required. Without limiting the foregoing, the Lessee agrees to execute and deliver promptly any and all certificates, agreements and other instruments that the Lessor, HUD Lender or HUD may reasonably request in order to confirm such subordination. Unless the HUD Lender shall have agreed otherwise, if the HUD Lender or another person or entity shall succeed to the interest of the Lessor by reason of foreclosure or other proceedings brought by HUD Lender in lieu of or pursuant to a foreclosure, or by any other manner (HUD Lender or such other person or entity being called a "Successor"), then the Lease shall terminate, or, at the option of the Successor, the Lease shall nevertheless continue in full force and effect, in which case the Lessee shall and does hereby agree to attorn to the Successor and to recognize the Successor as its landlord under the terms of the Lease.

(e) Lessee agrees to pay, as Additional Rent, when due all premiums for (i) liability insurance and full coverage property insurance on the Leased Premises, and (ii) all other insurance coverage required under the HUD Documents and/or applicable HUD Program Requirements. Lessee shall be responsible for funding all escrows for taxes, reserves and for replacements as may be required by the HUD Lender and/or HUD.

(f) Lessee agrees and acknowledges that the HUD Documents shall include a Lessee Regulatory Agreement, Lessee Security Agreement and other applicable documents pursuant to which Lessee shall grant to the HUD Lender a security interest in the collateral of the Lessee. The Lessee agrees to comply with its obligations under the Lessee Regulatory Agreement and the Lessee Security Agreement, and agrees that a default by the Lessee under the Lessee Regulatory Agreement or Lessee Security Agreement shall be deemed to be a default under this Lease.

(g) Lessee agrees not to enter into any management contract involving the Leased Premises unless such management contract complies with applicable HUD Program Requirements and contains provisions that, in the event of default under the HUD Loan or the Lessee Regulatory Agreement, the management agreement shall be subject to termination upon not more than thirty (30) days notice without penalty upon written request of HUD. Upon such HUD termination request, the Lessee shall immediately arrange to terminate the contract within a period of not more than thirty (30) days and shall make arrangements satisfactory to HUD for continuing proper management of the Leased Premises.

(h) Lessee shall ensure that the Leased Premises meets all state licensure requirements and standards at all times. Lessee agrees not to undertake or acquiesce to any modification to any license with respect to the Leased Premises or to any "bed authority" related thereto without the prior written approval of HUD.

(i) Lessee shall be responsible for obtaining and maintaining all necessary provider agreements with Medicaid, Medicare and other governmental third party payors. Lessee agrees to furnish HUD and HUD Lender with copies of all such provider agreements and any and all amendments thereto promptly after execution thereof.

(j) Lessee agrees to furnish HUD and HUD Lender copies of its annual financial statements with respect to the Leased Premises, prepared in compliance with the requirements of the Lessee Regulatory Agreement, within ninety (90) days after the close of Lessee's fiscal year or such longer period as may be permitted by HUD. Lessee agrees to submit to HUD and HUD Lender copies of all other financial reports as specified in the Lessee Regulatory Agreement.

(k) Lessee agrees that upon reasonable request, the HUD Lender, HUD and their respective designees and representatives may at all reasonable times, upon reasonable notice, subject to the rights of patients, residents and tenants, examine and inspect the Leased Premises. Lessee will, on the request of the HUD Lender and/or HUD, promptly make available for inspection by the HUD Lender and/or HUD, and their designees and representatives, copies of all of the Lessee's correspondence, books, records and other documentation relating to the Leased Premises, excepting communications between the Lessee and its attorneys. The Lessee agrees to maintain accounting records for the Leased Premises in accordance with its customary practice and the Lessee Regulatory Agreement, separate from any general accounting records which the Lessee may maintain in connection with the Lessee's other activities. The Lessee agrees that the HUD Lender and/or HUD, and their designees and representatives, shall at any reasonable time, have access to and the right to examine all accounting records of the Lessee which relate directly or indirectly to the Leased Premises. The obligations of Lessee under this Section shall be limited to the extent necessary in order for Lessee to comply with applicable laws regarding the confidentiality of resident/patient medical records and information.

(l) Lessee agrees to procure and maintain, or cause to be procured and maintained, the insurance coverage required pursuant to the HUD Documents and/or applicable HUD Program Requirements, including HUD Notices H04-01 and H04-15. Insurance proceeds and the proceeds of any condemnation award or other compensation paid by reason of a conveyance in lieu of the exercise of such power, with respect to the Leased Premises or any

portion thereof shall be applied in accordance with the terms of the HUD Documents and applicable HUD Program Requirements. The decision to repair, reconstruct, restore or replace the Leased Premises following a casualty or condemnation shall be subject to the terms of the HUD Documents and applicable HUD Program Requirements.

(m) The Lease shall not be assigned or subleased by Lessee, in whole or in part (including any transfer of title or right to possession and control of the Leased Premises, or of any right to collect fees or rents), without the prior written approval of HUD. The prior written approval of HUD shall be required for (i) any change in or transfer of the management, operation, or control of the Project or (ii) any change in the ownership of the Lessee that requires HUD approval under HUD's previous participation approval requirements. Lessee acknowledges that any proposed assignee will be required to execute a Lessee Regulatory Agreement and a Lessee Security Agreement, each in form and substance satisfactory to HUD, as a prerequisite to any such approval. Any assignment or subletting of the Leased Premises made without such prior approval shall be null and void. This restriction on subletting does not apply to Lessee's leasing of individual units or beds to patient/residents. This restriction is in addition to any other restriction contained in the Lease.

(n) Lessee shall not pledge its accounts receivable or receipts to an accounts receivable lender (the "AR Lender") for any loan (an "AR Loan") without the prior written approval of the HUD Lender and HUD. In the event that the HUD Lender and HUD grant such approval; (i) the AR Lender shall enter into an Intercreditor and a Rider to Intercreditor Agreement with the HUD Lender on such terms and conditions as may be required by HUD; and (ii) Lessee shall agree to comply with the requirements imposed by the HUD Lender and HUD in connection therewith. Until such approved AR Loan is paid in full, the prior written approval of HUD is required for any proposed modifications, extensions, renewals or amendments to the AR Loan.

(o) Lessee agrees that if HUD becomes Mortgagee, Mortgagee in Possession, or Successor, HUD can terminate the Lease (i) for any violation of the Lease that is not cured within any applicable notice and cure period given in the Lease, (ii) for any violation of the Lessee Regulatory Agreement or other HUD Program Requirements or any federal, state, county, municipal or other governmental statutes, laws, rules, orders, regulations, ordinances, judgments, decrees and injunctions or agreements, in each case, pertaining to or concerned with the establishment, construction, ownership, operation, use or occupancy of the Leased Premises or any part thereof as a healthcare facility, and all material permits, licenses and authorizations and regulations relating thereto, including all material rules, orders, regulations and decrees of and agreements with healthcare authorities pertaining to the Facility, that is not cured within thirty (30) days after receipt by Lessee of written notice of such violation or (iii) if HUD, as a result of the occurrence of either of the events described in the foregoing items (i) or (ii), is required to advance funds for the operation of the Facility located on the Leased Premises.

(p) Lessee shall copy HUD Lender and HUD on all notices of default given by Lessee under the Lease. Such copies shall be provided at the same time and in the same manner as provided by Lessee to Lessor or any other party. HUD Lender shall have the right, but not the obligation, to cure any default by Lessor under the Lease. For the purpose of effecting such cure, Lessee grants HUD Lender and Lessor such period of time as may be reasonable to enable HUD Lender and/or Lessor to cure (or cause to be cured) any default, in addition to the time given to

Lessor to cure the default. In the event of any act or omission of Lessor which would give Lessee the right, immediately or after lapse of a period of time, to cancel or terminate the Lease, or to claim a partial or total eviction, Lessee shall not exercise such right (i) until it has given written notice of such act or omission to HUD Lender and HUD, and (ii) unless such act or omission shall be one which is not capable of being remedied by HUD Lender or Lessor within a reasonable period of time, until a reasonable period for remedying such act or omission shall have elapsed following the giving of such notice and following the time when HUD Lender shall have become entitled under the Loan Documents in connection therewith, as the case may be, to remedy the same (which reasonable period shall in no event be less than the period to which Lessor would be entitled under the Lease or otherwise, after similar notice, to effect such remedy).

(q) The foregoing provisions set forth in this Article XXV: (i) may be amended, supplemented and/or modified by Lessor in order to comply with any applicable HUD provisions as in effect at the time of the making of the HUD Loan and (ii) other than for the duration of the HUD Loan, shall not be interpreted in a manner which restricts, impairs or otherwise reduces any right, benefit or privilege of the Lessor or any liability or obligation of Lessee set forth elsewhere in the Lease

#### ARTICLE XXXVII - MISCELLANEOUS

37.1 Lessee, upon paying the Rent and all other charges herein provided, and for observing and keeping the covenants, agreements, terms and conditions of this Lease on its part to be performed, shall lawfully and quietly hold, occupy and enjoy the Demised Premises during the Term of this Lease, and subject to its terms, without hindrance by Lessor or by any other person or persons claiming under Lessor.

37.2 All payments to be made by the Lessee hereunder (other than Base Rent), whether or not designated as "Additional Rent", shall be deemed Additional Rent, so that in the event of a default of payment when due, Lessor shall be entitled to all of the remedies available at law or equity, or under this Lease, for the nonpayment of Rent.

37.3 It is understood and agreed that the granting of any consent by Lessor to Lessee to perform any act of Lessee requiring Lessor's consent under the terms of this Lease, or the failure on the part of Lessor to object to any such action taken by Lessee without Lessor's consent, shall not be deemed a waiver by Lessor of its rights to require such consent for any further similar act by Lessee, and Lessee hereby expressly covenants and warrants that as to all matters requiring Lessor's consent under the terms of this Lease, Lessee shall secure such consent for each and every happening of the event requiring such consent, and shall not claim any waiver on the part of Lessor of the requirement to secure such consent.

37.4 Lessor and Lessee agree that, at the request of either party, this Lease or a Memorandum of the same in the form of Exhibit E attached hereto and made a part hereof, may be recorded, to be filed in the real property records of the county in which the Demised Premises are located.

37.5 Lessee represents that it did not deal with any broker in connection with this Lease, and hereby indemnifies Lessor against the claims or demands of any broker claimed through a

relationship with Lessee. Lessor represents that it did not deal with any broker in connection with this Lease, and hereby indemnifies Lessee against the claims or demands of any broker claimed through a relationship with Lessor.

37.6 If an action shall be brought to recover any Rent under this Lease, or for or on account of any breach of or to enforce or interpret any of the terms, covenants or conditions of this Lease, or for the recovery of possession of the Demised Premises, the prevailing party shall be entitled to recover from the other party, as part of the prevailing party's costs, reasonable attorneys' fees, the amount of which shall be fixed by the court and shall be made a part of any judgment rendered.

37.7 Should Lessee hold possession hereunder after the expiration of the Term of this Lease with or without the consent of Lessor, Lessee shall become a tenant on a month to month basis upon all the terms, covenants and conditions herein specified, excepting however that Lessee shall pay Lessor a monthly rental, for the period of such month-to-month tenancy, in an amount equal to one hundred ten percent (110%) of the last Rent specified.

37.8 All notices, demands or other communications given hereunder shall be in writing and shall be deemed to have been duly delivered (i) upon the delivery (or refusal to accept delivery) by personal delivery, messenger or overnight express delivery service (or, if such date is not on a business day, on the business day next following such date), (ii) on the third (3<sup>rd</sup>) business day next following the date of its mailing by certified mail, postage prepaid, at a post office maintained by the United States Postal Service, or (iii) by electronic mail or fax transmission, addressed as follows:

If to Lessor:  
Troy Hill Propco LLC  
1225 Carmel Ct  
Lakewood, NJ 08701  
Attention: Eliyahu Frankel

If to Lessee :  
Excelcare at Troy Hill LLC  
1225 Carmel Ct  
Lakewood, NJ 08701  
Attention: Eliyahu Frankel

with a copy to:

Allen V. Koss, Esq.  
Koss & Schonfeld, LLP  
160 Broadway – 8<sup>th</sup> Floor  
New York, New York 10038  
Direct dial: (212) 796-8915  
Fax # 212-401-4757

with a copy to:

Allen V. Koss, Esq.  
Koss & Schonfeld, LLP  
160 Broadway – 8<sup>th</sup> Floor  
New York, New York 10038  
Direct dial: (212) 796-8915  
Fax # 212-401-4757

or such other address that any party designates to the other by written notice given in the manner stated above. Any notice sent by electronic mail shall be deemed delivered upon transmission, so long as said transmission is evidenced by proof of said transmittal and sent before 5:00 p.m. local

time at the place of the recipient and if sent after 5:00 p.m. shall be deemed delivered on the next business day. Notices from counsel to Lessor shall for all purposes hereunder constitute notice from Lessor. Notices from counsel to Lessee shall for all purposes hereunder constitute notice from Lessee.

37.9 Each party agrees at any time, and from time to time, upon not less than twenty (20) days prior written request from the other party, to execute, acknowledge and deliver to the other party a statement in writing, certifying that this Lease is unmodified and in full force and effect (or if there have been modifications, that the same is in full force and effect as modified, and stating the modifications), the dates to which the Rent has been paid, the amount of the Additional Rent held by Lessor, and whether to the best Knowledge of such party an Event of Default has occurred or whether any events have occurred which, with the giving of notice or the passage of time, or both, could constitute an Event of Default hereunder, it being intended that any such statement delivered pursuant to this section may be relied upon by any prospective assignee, mortgagee or purchaser of the fee interest in the Demised Premises or of this Lease.

37.10 All of the provisions of this Lease shall be deemed and construed to be "conditions" and "covenants" as though the words specifically expressing or importing covenants and conditions were used in each separate provision hereof.

37.11 Any reference herein to the expiration of this Lease shall be deemed to include any termination thereof by expiration, or pursuant to Articles referring to earlier termination.

37.12 The headings and titles in this Lease are inserted only as a matter of convenience and for reference and in no way define, limit or describe the scope or intent of this Lease, nor in any way affect this Lease.

37.13 This Lease contains the entire agreement between the parties and any executory agreement hereafter made shall be ineffective to change, modify or discharge it in whole or in part unless such executory agreement is in writing and signed by the party against whom enforcement of the change, modification or discharge is sought. This Lease cannot be changed orally or terminated orally.

37.14 Except as otherwise herein expressly provided, the covenants, conditions and agreements in this Lease shall bind and inure to the benefit of Lessor and Lessee and their respective successors and assigns.

37.15 All nouns and pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, neuter, singular or plural as the identity of the person or persons, firm or firms, corporation or corporations, entity or entities or any other thing or things may require. "Any" or "any" shall mean "any and all"; "or" shall mean "and/or"; "including" shall mean "including, but not limited to".

37.16 This Lease may be executed in counterparts, each of which shall for all purposes be deemed an original, and all of such counterparts shall together constitute one and the same agreement.

37.17 If any term or provision of this Lease shall to any extent be held invalid or unenforceable, the remaining terms and provisions of this Lease shall not be affected thereby, but each term and provision shall be valid and be enforced to the fullest extent permitted by law.

37.18 This Lease shall be construed in accordance with the laws of the State of New Jersey without regard to conflict of laws principles.

37.19 Each party acknowledges that it has certain obligations under applicable New Jersey laws and regulations, including without limitation those New Jersey laws and regulations governing the ownership, management, control and operation of Facility and assisted living facilities and all related laws and regulations, to the extent applicable and as they exist at the time this Agreement is executed and as amended (the "**New Jersey Laws**"). Each party hereby agrees to comply with such New Jersey Laws. Any ambiguity in this Agreement shall be resolved to permit the parties to comply with the New Jersey Laws. If there is any direct conflict between the Agreement and the New Jersey Laws, the New Jersey Laws shall control. If any term, provision or condition contained in this Agreement will be deemed or declared unenforceable, invalid or void, the same will not impair or invalidate any of the other provisions contained herein, which will remain in full force and effect.

37.20 The parties hereto agree that with respect to all disputes, problems or claims arising out of or in connection with this Lease and all other agreements or other instruments executed in connection herewith, including and any claim for indemnification by either of the parties hereto (collectively, "**Disputes**"), the parties hereto shall, in good faith, use their reasonable best efforts to resolve the Dispute. If after such efforts the parties hereto are unable within ten (10) days of the arising of the Dispute to resolve the Dispute in good faith, the parties shall use best efforts to use a mutually agreed upon arbitrator (the "**Arbitrator**"). In the event the parties are unable to mutually agree upon the Arbitrator, within fifteen (15) days of the arising dispute then either party may submit to final and binding arbitration before the American Arbitration Association ("**AAA**"), or its successor, pursuant to the Federal Arbitration Act, 9 U.S.C. Sec. 1 *et seq.* In the event AAA is utilized: (a) the parties hereto agree that the rules of the American Arbitration Association applicable to commercial arbitrations shall apply to any such arbitration and that the Expedited Procedures under the Commercial Arbitration Rules shall apply, (b) either party may commence the arbitration process called for in this Lease by filing a written demand for arbitration with AAA, with a copy to the other party, and (c) the arbitration will be conducted in accordance with the provisions of AAA Streamlined Arbitration Rules and Procedures in effect at the time of filing of the demand for arbitration. The parties will cooperate with either the Arbitrator or AAA, as applicable, and with one another in selecting an arbitrator from a panel of neutrals, and in scheduling the arbitration proceedings. The provisions of this Section 37.20 with respect to the arbitration before either the Arbitrator or AAA may be enforced by any court of competent jurisdiction (subject to the provisions of Section 37.18 of this Lease), and the parties agree that any such enforcement action shall be brought in courts having situs in New Jersey and fully submit to the jurisdiction of any such courts and the parties seeking enforcement shall be entitled to an award of all costs, fees and expenses, including attorneys' fees, to be paid by the parties against whom enforcement is ordered. The fees and expenses of such arbitration shall be borne by the non-prevailing party, as determined by such arbitration. Upon the mutual agreement of the parties involved in the Dispute, the parties may submit to final

and binding arbitration before any other recognized alternative dispute resolution company or organization. Any arbitration hereunder shall be conducted by each party choosing one arbitrator and the two chosen arbitrators choosing a third arbitrator. The parties hereto agree that this Section 37.20 has been included to rapidly and inexpensively resolve any disputes between them with respect to the matters described above, and that this paragraph shall be grounds for dismissal of any court action commenced by any party with respect to a dispute arising out of such matters.

37.21 It is expressly understood and agreed that except as otherwise expressly provided herein, this Lease shall not be construed as creating any personal liability whatsoever against any member, officer, director, shareholder or Lender of Lessor and/or of Lessee and in particular without limiting the generality of the foregoing, there shall be no personal liability to pay any obligations set forth herein or to perform any covenant, either expressed or implied, herein contained, and that, except as otherwise provided herein, all personal liability of any member, officer, director, shareholder or Lender of Lessor and/or of Lessee of every sort, if any, is hereby expressly waived by the other party hereto.

37.22 The term "Knowledge" as used herein shall be deemed to mean the best of a Person's knowledge, and of the principals, officers and agents of such Person. Any fact or circumstance that a Person and their principals, officers or agent reasonably should know assuming commercially reasonable best efforts were utilized, shall be deemed the Knowledge of such Person. The term "commercially reasonable best efforts" shall mean the efforts that a commercially reasonable Person desirous of achieving a result would use in similar circumstances to achieve that result as expeditiously as reasonably practicable, provided, however, that a Person required to use commercially reasonable best efforts under this Lease will not thereby be required to take any action that would result in a material adverse change in the benefits to such Person of this Lease or the transactions contemplated hereby or to make any change in its business, incur any extraordinary fees or expenses or incur any other material burden. "Person" shall mean any individual, partnership (general and/or limited), association, corporation, limited liability company, trust, joint venture or other legal entity of any and every nature whatsoever.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have caused this Lease to be signed by persons authorized so to do on behalf of each of them respectively the day and year first above written.

**LESSOR:**

**TROY HILL PROPCO LLC**

**LESSEE:**

**EXCELCARE AT TROY HILL LLC**

Signed by:

*Eliyahu Frankel*

Name: Eliyahu Frankel

Its: Manager

Signed by:

*Eliyahu Frankel*

Name: Eliyahu Frankel

Its: Manager

**EXHIBIT A**

**FACILITY AND LEGAL DESCRIPTIONS**

Facility: 200 Reynolds Avenue, Parsippany, NJ 07054

**EXHIBIT B**

**LICENSED BEDS**

130 bed skilled nursing facility known as Troy Hills Center