CITY OF SOUTH AMBOY
COUNTY OF MIDDLESEX

RESOLUTION NO. 181-2011

RESOLUTION APPROVING THE IMPLEMENTATION OF A PILOT AGREEMENT FOR BLOCK 4, LOT 20

WHEREAS, on or about June 7, 2001, the City of South Amboy and Hillcrest Management and Development Corp., the then owner of the property known on the City of South Amboy Tax Map as Block 4, Lot 20, (the "Property") entered into an Agreement for Payment in Lieu of Taxes ("PILOT Agreement"); and,

WHEREAS, the Property is presently owned by Hillcrest Manor at South Amboy, LLC, ("Owner"), the Assignee of Hillcrest Management and Development Corp., the original owner and sponsor of the qualifying project; and,

WHEREAS, the Owner filed civil actions to, among other things, implement the PILOT Agreement, retroactively to 2009: "Hillcrest Manor at South Amboy, LLC vs. City of South Amboy, Superior Court of New Jersey, Law Division, Middlesex County, Docket No. MID-L-3464-11" and "Hillcrest Manor at South Amboy, LLC vs. City of South Amboy, Tax Court of New Jersey, Docket No. 010891-2011"; and,

WHEREAS, the Owner and the City of South Amboy reached an agreement as to the implementation of the PILOT Agreement as of January 1, 2011, without prejudice to the owner to seek further relief pursuant to its verified complaint filed in the matter of "Hillcrest Manor at South Amboy, LLC vs. City of South Amboy, Superior Court of New Jersey, Law Division, Middlesex County, Docket No. MID-L-3464-11"; and,

WHEREAS, the City of South Amboy entered into a Stipulation of Settlement in the Tax Court action;

NOW, THEREFORE, BE AND IT IS HEREBY RESOLVED, by the Council of the City of South Amboy, County of Middlesex, State of New Jersey, as follows:

1. The PILOT Agreement between the City of South Amboy and Hillcrest Manor at South Amboy, LLC, Assignee of Hillcrest Management and Development Corp., is hereby implemented as of January 1, 2011;

2. The City of South Amboy Tax Assessor and Tax Collector are hereby directed to adjust their records in accordance with the Stipulation of Settlement in the matter of Hillcrest Manor at South Amboy, LLC vs. City of South Amboy, Tax Court of New Jersey, Docket No. 010891-2011, attached and incorporated into this Resolution;

3. The Tax Collector shall bill the Owner for the payment due to South Amboy for 2011 under the PILOT Agreement. The City shall give a credit to the Owner for the First Quarter 2011 real estate taxes assessed on or as to, or attributable to, the improvements on said property, only, which taxes were previously paid under protest by the Owner. The City, through its Tax Collector, shall apply such credit first to the Owner's 2011 PILOT Agreement payment obligation and then to any real property taxes assessed and unpaid for 2011 on the land of the said property only. Any credited balance due the Owner at the end calendar year 2011 shall be returned to the Owner with the appropriate statutory interest;

4. This Resolution shall be without prejudice to and does not address the respective positions of the City of South Amboy and the Owner concerning whether or not the PILOT Agreement became effective earlier than January 1, 2011;

5. The City Clerk shall serve a certified copy of this Resolution upon the Tax Assessor and Tax Collector

	Moved	*Seconded*	*Ayes*	*Nays*	*Absent*	*Abstain*
APPLEGATE		✓	✓			
GROSS			✓			
NOBLE			✓			
SCHWARICK	✓		✓			
CONNORS			✓			

AGREEMENT FOR PAYMENT IN LIEU OF TAXES

THIS AGREEMENT, made this 7th day of June, 2001, between Hillcrest Management and Development Corp., a, corporation of the State of New Jersey, having its principal office at 1111 Highway 35, Cliffwood, New Jersey 07721 (hereinafter the "Sponsor") and the City of South Amboy, a municipal corporation in the County of Middlesex and State of New Jersey (hereinafter the "Municipality").

WITNESSETH

In consideration of the mutual covenants herein contained and for other good and valuable consideration, it is mutually covenanted and agreed as follows:

1. This Agreement is made pursuant to the authority contained in Section 37 of the New Jersey Housing and Mortgage Finance Agency Law of 1983 (N.J.S.A. 55:14K-1 et seq.) (hereinafter "HMFA Law") and a Resolution of the Council of the Municipality dated 5/2/2001, 2001, (the "Resolution") and with the approval of the New Jersey Housing and Mortgage Finance Agency (hereinafter the "Agency"), as required by N.J.S.A. 55:14K-37.

2. The project (the "Project") is or will be situated on that parcel of land (the "Land") designated as Block 4, Lot 20 as shown on the Official Assessment Map of the City of South Amboy, and more commonly referred to as 2097 Route 35, South Amboy, New Jersey.

3. As of the date the Sponsor executes a first mortgage upon the Project in favor of the Agency (hereinafter referred to as the "Agency Mortgage"), the improvements comprising the Project shall be exempt from real property taxes, provided that the Sponsor shall make payments in lieu of taxes to the Municipality as provided hereinafter. The exemption of the Project from real property taxation and the sponsor's obligation to make payments in lieu of taxes shall not extend beyond the date on which the Agency Mortgage is paid in full, which, according to the HMFA Law, may not exceed fifty (50) years.

4. The Sponsor shall make payment to the Municipality of an annual service charge in lieu of taxes in such amount as follows:

(a) From the date of the execution of the Agency Mortgage (the "Execution Date") until the one year anniversary of the Execution Date, the Sponsor shall make payment to the Municipality in an amount equal to $7,509.93.

(b) From the date of the one year anniversary of the Execution Date until the second anniversary of the Execution Date, the Sponsor shall make a payment to the Municipality in an amount equal to (i) $16,839.35 which sum represents 50% of the amount due for years three (3) through seven (7) of the annual gross rents for years three through seven.

(c) From the date of the third anniversary of the Execution Date until the eve of the seventh anniversary of the Execution Date, the Sponsor shall make payment to the Municipality in an amount equal to (i) $30,628.69 from the of the third anniversary of the Execution Date until the eve of the seventh anniversary of the Execution Date.

(d) From the date of the seventh (7) anniversary of the Execution Date until the eve of the eleventh (11) anniversary of the Execution Date, the Sponsor shall make payment to the Municipality in an amount equal to (i)36,293.68 until the eve of the eleventh anniversary of the Execution Date.

(e) From the date of the eleventh (11) anniversary of the Execution Date until the fifteenth (15) anniversary of the Execution Date, the Sponsor shall make payment to the Municipality in an amount equal to (i)40,803.61 until the eve of the fifteenth anniversary of the Execution Date.

(f) From the date of the fifteenth (15) anniversary of the Execution Date until the nineteenth (19) anniversary of the Execution Date, the Sponsor shall make payment to the Municipality in an amount equal to $48,313.54 (i) until the eve of the nineteenth anniversary of the Execution Date.

(g) From the date of the nineteenth (19) anniversary of the Execution Date until and for the remaining term of the NJHMFA Mortgage, the Sponsor shall make payment to the Municipality in an amount equal to (i) $51,313.54 from the date of the nineteenth anniversary of the Execution Date and for the remaining term of the NJHMFA Mortgage.

5. (a) Payments by the Sponsor shall be made on a quarterly basis in accordance with bills issued by the Tax Collector of the Municipality in the same manner and on the same dates as real estate taxes are paid to the Municipality.

(b) All payments pursuant to this Agreement shall be in lieu of taxes and the Municipality shall have all the rights and remedies of tax enforcement granted to Municipalities by law just as if said payments constituted regular tax obligations on real property within the Municipality.

(c) In the event of any delinquency in the aforesaid payments, the Municipality shall give notice to the Sponsor and NJHMFA in the manner set forth in 9(a) below, prior to any legal action being taken.

6. The tax exemption provided herein shall apply only so long as the Sponsor or its successors and assigns and the Project remain subject to the provisions of the HMFA Law and Regulations made thereunder and the supervision of the Agency, but in no event longer than the term of the Agency Mortgage. In the event of (a) a sale, transfer or conveyance of the Project by the Sponsor or (b) a change in the organizational structure of the Sponsor, this Agreement shall be assigned to the Sponsor's successor and shall continue in full force and effect so long as the successor entity qualifies under the HMFA Law or any other state law applicable at the time of the assignment of this Agreement and assumes the Agency Mortgage.

7. Upon any termination of such tax exemption, whether by affirmative action of the Sponsor, its successors and assigns, or by virtue of the provisions of the HMFA Law, or any other applicable state law, the Project shall be taxed as omitted property in accordance with the law.

8. The Sponsor, its successors and assigns shall, upon request, permit inspection of property, equipment, buildings and other facilities of the Project by representatives duly authorized by the Municipality. Any such inspection, examination or audit shall be made during reasonable hours of the business day, in the presence of an officer or agent of the Sponsor or its successors and assigns.

9. Any notice or communication sent by either party to the other hereunder shall be sent by certified mail, return receipt requested, addressed as follows:

(a) When sent by the Municipality to the Sponsor, it shall be addressed to 2097 Route 35, South Amboy, N.J. 08879 or to such other address as the Sponsor may hereafter designate in writing and a copy of said notice or communication by the Municipality to the Sponsor shall be sent by the Municipality to the New Jersey Housing and Mortgage Finance Agency, 637 South Clinton Avenue, P.O. Box 18550, Trenton, New Jersey 08650-2085.

(b) When sent by the Sponsor to the Municipality, it shall be addressed to the City of South Amboy, 140 N Broadway or to such other address as the Municipality may designate in writing; and a copy of said notice or communication by the Sponsor to the Municipality shall be sent by the Sponsor to the New Jersey Housing and Mortgage Finance Agency, 637 South Clinton Avenue, P.O. Box 18550, Trenton, New Jersey 08650-2085.

10. In the event of a breach of this Agreement by either of the parties hereto or a dispute arising between the parties in reference to the terms and provisions as set forth herein, either party may apply to the Superior Court, Chancery Division, to settle and resolve said dispute in such fashion as will tend to accomplish the purposes of the HMFA Law.

ATTEST:

Andrew Piscatelli VP

SPONSOR:

By: Andrew Piscatelli Pres.

ATTEST:

Kathleen Vigilante

Clerk

MUNICIPALITY:

CITY OF SOUTH AMBOY:

By: [signature]

Mayor

Hillcrest Manor
HMFA # 1411

Prepared by: [signature]
Darryl D. Applegate
Deputy Attorney General

HOME EXPRESS MORTGAGE AND SECURITY AGREEMENT

Section 1. **Parties.** The parties to this Home Express Mortgage and Security Agreement (the "Mortgage"), made this 14th day of December, 2004, are

> **HILLCREST MANOR AT SOUTH AMBOY, LLC,** a limited liability company having its principal place of business at 540 Bordentown Avenue, South Amboy, New Jersey 08879 and qualified to do business in the State of New Jersey (the "Borrower")

AND

> **NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY on behalf of the NEIGHBORHOOD PRESERVATION BALANCED HOUSING HOME EXPRESS PROGRAM** (the "Agency"; collectively, the Agency and the Borrower are the "Parties"), a body corporate and politic and an instrumentality exercising public and essential governmental functions of the State of New Jersey, created pursuant to N.J.S.A. 55:14K-1 et seq., at its principal office at 637 South Clinton Avenue, Trenton, New Jersey 08611, or at such other place as may be designated in writing by the Agency.

The Borrower acknowledges that in consideration for the execution of this Mortgage and the Home Express Mortgage Note (the "Note") that this Mortgage secures, it shall receive from the Agency the principal sum as defined in the Note (the "Principal Sum") pursuant to a Drawdown Schedule, attached to the Home Express Loan Agreement and Deed Restriction executed by the Borrower and the Agency on even date herewith (the "Loan Agreement"). The Borrower further acknowledges that the Agency provided a loan in the Principal Sum of **One Million Eight Hundred Forty-Eight Thousand Five Hundred Five and 00/100 Dollars ($1,848,505.00)** or so much thereof as may be advanced (the "Home Express Loan") in accordance with the Neighborhood Preservation Balanced Housing Home Express Program ("Home Express") and the New Jersey Fair Housing Act of 1985, N.J.S.A. 52:27D-301 et seq. (the "Act").

Section 2. **Definitions**

Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Loan Agreement.

Section 3. **Background and Purpose.** The Borrower proposes to acquire, own, construct/rehabilitate and/or operate the Project to be located on the Land, as described in Schedule A, attached hereto, and mortgaged hereby. As part of the financing to acquire, own, construct, and/or operate the Project, the Borrower has obtained approval for the Home Express Loan, along with the following additional funding sources:

A.) The Agency has provided a commitment for permanent financing in the amount of [redacted]

B.) The Owner anticipates the sale of 4% tax credits. In exchange for the tax credits, PNC Multifamily Capital (or an affiliate thereof), the investor, is expected to generate equity in the amount of [redacted]

To evidence the Home Express Loan contemplated hereby, the Borrower has contemporaneously with the execution of this Mortgage executed the Note and the Loan Agreement.

The Borrower has furnished to the Agency information concerning the Project, including the description of the land on which it is to be situated (the "Land"); the fee and/or leasehold estate that will comprise it, as applicable; the plans and specifications for the construction/rehabilitation of the Project; the tenant population that is to be housed in the Project; the number of units of each type to be included therein; the estimated cost of constructing the Project; details as to the projected income and expenses of the Project once constructed/rehabilitated and placed in operation; and of other local or private subsidies provided to the Project.

In addition, the Borrower has obtained, in connection with the Project, the following funding commitments:

SOURCE	AMOUNT	PURPOSE	LIEN PRIORITY
NJHMFA	[redacted]	Permanent Financing	First, after construction completion
PNC Multifamily Capital	[redacted]	LIHTC Proceeds	N/A
Deferred Developer Fee	[redacted]	Paid through cash flow	N/A
PNC Bank National Association	[redacted]	Construction Loan	First, until taken out by permanent loan

The Borrower acknowledges that the Agency, in deciding to finance the Project, has relied upon the representations made in the Borrower's application as set forth above. The Borrower acknowledges that the Agency reserves the right to alter the terms of the Note and this Mortgage if the sources of funds dedicated to the Project or the use of the Project as described herein, materially change. This right shall include, but not be limited to, the right to withdraw its financing commitment and the right to declare a default as described in Section 23 of the Loan Agreement and to exercise its remedies as described in Section 24 thereof.

Subject to the terms and conditions contained in this Mortgage, the Agency has approved the Borrower's application for the Home Express Loan, to be disbursed subject to terms and conditions described herein and in the other Loan Documents.

The Borrower acknowledges that it will complete the acquisition and construction/rehabilitation in accordance with the Plans and Specifications that have been furnished by the Borrower to the Agency prior to the Agency's release of the first draw.

The Parties acknowledge that this Mortgage may be subordinate to other mortgages evidenced by the above-listed funding commitments. Specifically, this Mortgage is subordinate to a first mortgage granted to PNC Bank, National Association for a construction loan to the Borrower. Once the PNC Bank construction loan is taken out by the Agency's permanent loan, this Mortgage shall be subordinate to a first mortgage lien of the Agency.

Section 4. **Covenant to Pay Mortgage Note**. The Borrower hereby promises to pay the Home Express Loan in accordance with the provisions of the Note and the other Loan Documents.

Section 5. **Granting Clauses.** In order to secure to the Agency:

(a) the punctual payment by the Borrower of all sums due or to become due under the provisions of the Loan Documents; and

(b) the payment or performance of all obligations of the Borrower under the Loan Documents; and

(c) the payment or performance of all obligations of the Borrower under any superior mortgage notes or any superior mortgages;

the Borrower, subject only to the superior mortgages indicated above, hereby grants and conveys to the Agency a Mortgage on, and pledges, assigns and grants to the Agency a security interest in the following (collectively, the "Mortgaged Premises"):

1. all of the Borrower's right, title and interest in the Project and in the Land, including, without limitation, all improvements existing or hereafter erected thereon, the legal description of the Land being set forth in the attached Schedule "A";

2. all the Borrower's right, title and interest in and to the beds of streets, roads and avenues open or proposed, adjacent or appurtenant to the Project and the Land and any easements, rights of way, licenses and other rights in favor of the Project and/or the Land over other premises;

3. any award made in the nature of compensation for condemnation or appropriation with respect to the Project and/or the Land by any governmental body, including awards or damages with respect to or matters other than a direct taking which nonetheless affect the Project and/or the Land. The Borrower hereby assigns any such awards or damages to the Agency and, in addition, for itself and its successors and assigns, appoints the Agency and any subsequent holder of the Note and this Mortgage its attorney-in-fact, and empowers such attorney, at its option, on behalf of the Borrower, to adjust or compromise any such claims, to collect any proceeds and to execute in the Borrower's name any documents necessary to effect such collection. The Agency is empowered to endorse any checks representing these proceeds, and after deducting any expenses incurred in the collection, to apply the net

proceeds as a credit upon any portion of the Home Express Loan after payment of any servicing fees and interest due and payable as provided in the Note and Loan Agreement;

4. all personal property of the Borrower now or hereafter used in the operation of or for the benefit of, or located upon or attached to the real property described herein, including but not limited to all fixtures, equipment, machinery and elevators; all gas and electric appliances, engines, motors; all boilers, radiators, heaters, and furnaces; all electronic, electrical, lighting, heating, ventilating and air conditioning systems; all stoves, ranges and cooking equipment; all tubs, basins, sinks, pipes, water heaters, faucets and plumbing fixtures; all refrigerators, washing machines, laundry tubs and dryers; all awnings, screens, shades, Venetian blinds, carpeting and office, common or lobby area furniture, furnishings, cabinets, fixtures, building materials and plantings; all project deposit accounts; all accounts, documents, commercial paper, chattels, negotiable instruments, general intangibles, rents, leases, goods, inventory and including any fittings, attachments, accessories, component parts, replacements or replacement parts, additions, accretions and/or substitutions of or to any of the above-listed types of items of collateral. The proceeds of the collateral are also covered;

5. all federal and State subsidy payments to which the Borrower is or will be entitled with respect to the Project and/or the Land;

6. all rent payable by tenants with respect to any part of the Project and/or the Land, such rents being assigned to the Agency, and any other revenues from the Project and/or the Land, including fees derived from laundry, parking, licenses and other facilities or interests;

7. all amounts payable to or recoverable by the Borrower under the terms of the contract for the construction and/or rehabilitation of the Project and any surety bond or other security issued in connection therewith;

8. all rights under and amounts recovered under warranties as to quality or performance of any material, part, sub-assembly, appliance or other component part of the Project;

9. any reserves and escrows created pursuant to the terms of the Loan Documents;

10. all proceeds of casualty or other insurance on the Project or any part thereof;

11. any real estate tax or payment in lieu of tax rebates or refunds that the Borrower is entitled to receive;

12. any amounts in the Project accounts described in the Loan Agreement and any other Project funds;

13. all syndication proceeds paid or payable to the Borrower; and

14. all proceeds, products, replacements, additions, substitutions, renewals and accessions of any of the foregoing.

The mortgage and security interest granted in this Mortgage shall continue in full force and effect until the Borrower has fully paid and discharged all of the indebtedness secured by this Mortgage.

This Mortgage shall constitute a security agreement and shall be effective as a fixture filing under the UCC Secured Transactions, N.J.S.A. 12A:9-101, et seq. The Borrower authorizes the Agency to file and refile such financing statements, continuation statements or security agreements as the Agency shall require from time to time.

Section 6. **Representations and Warranties**. The Borrower represents and warrants to the Agency that:

(a) (1) the Borrower is duly organized and existing under the provisions of New Jersey law, or is an out-of-state organization authorized to do business in New Jersey, and in good standing under the laws of New Jersey, (ii) has the power and authority to own its assets, to carry out and complete the Project and to carry on its business as now being conducted (and as now contemplated), and (iii) has the power to execute and perform all the undertakings of this Mortgage and the Note. The Borrower will file with the Agency, prior to the initial disbursement, a true copy of its certificate of good standing as issued by the New Jersey Treasurer evidencing current payment of franchise taxes, if applicable. The Borrower will file with the Agency, prior to the initial disbursement, a true copy of a resolution executed by the appropriate officers , members, partners, or individuals, as applicable, evidencing authority granted to the Borrower to enter into this Mortgage, and the other Loan Documents and to incur the obligations contained herein and therein;

(2) If, in accordance with Section 17 of the Loan Agreement, Borrower transfers the Mortgaged Premises subject to the conditions, obligations and restrictions contained herein, therein, and in the Note, to an entity in which the Borrower or its principals are the general partners, in the case of a partnership, managing members, in the case of a limited liability company, or the majority shareholders, in the case of a corporation, the Borrower shall submit documentation satisfactory to the Agency its successors and/or assigns that the transferee entity is in good standing. The Borrower shall also submit documentation satisfactory to the Agency its successors and/or assigns evidencing authority granted to the transferee by its board of directors, managing members or general partners, as appropriate, to assume the conditions, obligations and restrictions contained herein and contained in the other Loan Documents. Documentation to be submitted by the transferee should be similar to that required to be submitted by the Borrower in paragraph 5(a)(1) above;

(b) all statements contained in all applications, correspondence or other materials delivered to the Agency in connection with its consideration of the Home Express Loan to the Borrower or relating to the Project are true and correct;

(c) at the time of execution of this Mortgage, or prior thereto, the Borrower has acquired title in fee simple to and/or entered an approved ground lease for the Mortgaged Premises, subject only to such exceptions that have been disclosed in writing to the Agency and that will not, as solely determined by the Agency, materially interfere with or impair the beneficial use of the Mortgaged Premises for purposes of the Project;

(d) no event has occurred and no condition exists that constitute an Event of Default under this Mortgage or which, but for a requirement of notice or lapse of time, or both, would constitute such an Event of Default and the Borrower has obtained permission from the Agency to assume the obligations contained in this Mortgage; and

(e) the Borrower has received all necessary authorizations for construction/rehabilitation of the Project on the Mortgaged Premises in accordance with the Plans and Specifications and the Project is now (to the extent constructed), and, on completion, will be, in compliance with all applicable zoning, building and environmental codes and all other laws, ordinances, rules and regulations of any governmental body having jurisdiction over the Project.

Section 7. **Disbursements**. Upon and subject to the terms and conditions of the Loan Documents, the Agency agrees to disburse to the Borrower, in successive payments, the Principal Sum.

Section 8. **Defaults**. Any failure, filing, omission, occurrence, representation or breach listed at Section 23 of the Loan Agreement shall constitute an Event of Default with respect to this Mortgage.

Section 9. **Remedies**. Upon the occurrence of any Event of Default as listed at Section 23 of the Loan Agreement, the Agency, its successors, and assigns, may, subject to any superior mortgage(s), at its option, take any one or more of the actions or remedies listed at Section 24 of the Loan Agreement and no failure to exercise any such remedy or take any such action so enumerated shall constitute a waiver of such right or preclude a subsequent exercise by the Agency of any such action or remedy.

Section 10. **Amendments; Notices; Waivers**. This Mortgage may be amended only by an instrument in writing executed and acknowledged on behalf of the Agency and the Borrower in such manner that the instrument may be recorded. No waiver by the Agency in any particular instance of any Event of Default or required performance by the Borrower and no course of conduct of the Parties or failure by the Agency to enforce or insist upon performance of any of the obligations of the Borrower under this Mortgage or the other Loan Documents at any time shall preclude enforcement of any of the terms of this Mortgage or the other Loan Documents thereafter.

Any provision of this Mortgage requiring the consent or approval of the Agency for the taking of any action or the omission of any action requires that such consent by the Agency be in writing signed by a duly authorized officer of the Agency. Any such consent or approval, unless it expressly states otherwise, is limited to the particular action or omission referred to therein and does not apply to subsequent similar actions or omissions.

Notice provided for under this Mortgage shall be given in writing signed by a duly authorized officer and any notice required to be given hereunder shall be given by courier, regular mail, or by certified or registered mail, postage prepaid, return receipt requested, at the addresses specified below, or at such other addresses as may be specified in writing by the parties hereto:

Sponsor: Hillcrest Manor at South Amboy, LLC
540 Bordentown Avenue
South Amboy, New Jersey 08879

Borrower's Special Member: Columbia Housing SLP Corporation
121 S.W. Morrison Street, Suite 1300
Portland, Oregon 97204-3143

Sponsor's Attorney: Thomas J. Denitzio, Jr., Esquire
Greenbaum, Rowe, Smith, Ravin, Davis & Himmel, LLP
Metro Corporate Campus One
P.O. Box 5600
Woodbridge, New Jersey 07095-0988

Agency: New Jersey Housing and Mortgage Finance Agency
637 S. Clinton Avenue, P.O. Box 18550
Trenton, New Jersey 08650-2085
Attention: Director of Finance

Section 11. **Severability**. The invalidity of any part or provision of this Mortgage shall not affect the validity of the remaining portions thereof.

Section 12. **Execution in Counterparts**. This Mortgage may be executed in counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 13. **Applicable Law**. This Mortgage shall be governed by and construed in accordance with the laws of the State of New Jersey.

Section 14. **Mortgage Term; Discharge of Lien of Mortgage.** The term of this Home Express Mortgage shall run through the maturity date of thirty (30) years from the Amortization Dateas set forth in the Home Express Mortgage Note. Upon the payment of the Principal Sum, plus interest due and performance by the Borrower of all of its obligations under this Mortgage and the Mortgage Note, this Mortgage and the lien created hereby, and all covenants, agreements and other obligations of the Borrower hereunder, shall cease, terminate and become void and be discharged and satisfied. In such event, the Agency shall, at the expense of the Borrower, execute any and all instruments reasonably required to evidence the satisfaction, cancellation and discharge of this Mortgage. The repayment of the Principal Sum plus interest and the discharge of the lien of this Mortgage, shall not affect the Borrower's obligations that continue under the terms of the Loan Agreement, the Borrower acknowledging that the continuing effectiveness of the Loan Agreement and the Borrower's obligations thereunder shall be determined by its own terms subsequent to the discharge of this Mortgage.

IN WITNESS WHEREOF, the Borrower and the Agency have caused this Mortgage to be executed by their duly authorized representatives on the date first set forth above.

WITNESS:
~~ATTEST:~~

Thomas J. Denitzio, Jr.
Name: THOMAS J. DENITZIO, JR.
~~Title:~~

BORROWER:
Hillcrest Manor at South Amboy, LLC
By: Hillcrest Manor Senior Residence, LLC,
Its managing member

By: ______________________
Name: Andrew J. Piscatelli, III
Managing Member

This Mortgage has been reviewed
and approved as to form.

PETER C. HARVEY
ATTORNEY GENERAL OF NEW JERSEY

By: ______________________
Darryl D. Applegate
Deputy Attorney General

STATE OF NEW JERSEY)
) SS.:
COUNTY OF MIDDLESEX)

On this 14th day of December, 2004 before me personally appeared Andrew J. Piscatelli, III, who I am satisfied is the individual who executed this instrument and, who being duly sworn by me, did depose and say that (a) he is the managing member of Hillcrest Manor Senior Residence, LLC, the sole managing member of Hillcrest Manor at South Amboy, LLC, a New Jersey limited liability company, and (b) he is authorized to execute this instrument on behalf of Hillcrest Manor Senior Residence, LLC, the sole managing member of Hillcrest Manor at South Amboy, LLC, and (c) he executed this instrument as the act of Hillcrest Manor Senior Residence, LLC, on behalf of Hillcrest Manor at South Amboy, LLC.

Thomas J. Denitzio, Jr.
Thomas J. Denitzio, Jr.
An Attorney at law of New Jersey

SCHEDULE A
Legal Description

All those certain tracts of land, with the improvements thereon erected, if any, situate, lying and being in the City of South Amboy, County of Middlesex, State of New Jersey, bounded and described as follows:

Tract I
BEGINNING at the point of intersection of the southwesterly line of New Jersey State Highway Route 35 with the northwesterly line of Hillcrest Avenue; thence

1. Along the said northwesterly line of Hillcrest Avenue, South 68 degrees 42 minutes 32 seconds West 149.55 feet; thence

2. North 08 degrees 43 minutes 28 seconds West 459.77 feet; thence

3. North 76 degrees 46 minutes 32 seconds East 38.89 feet to the said southwesterly line of New Jersey State Highway Route 35; thence

4. Along the said southwesterly line of New Jersey State Highway Route 35, South 31 degrees 04 minutes 24 seconds East, 36.89 feet; thence

5. Continuing along the said southwesterly line of New Jersey State Highway Route 35, South 21 degrees 57 minutes 30 seconds East 406.97 feet to the point and place of BEGINNING.

Tract II
BEGINNING at a point in the southwesterly line of New Jersey State Highway Route 35, said point being the following courses and distances from the intersection of the northwesterly line of Hillcrest Avenue and the southwesterly right of way line of New Jersey State Highway Route 35 Section 10 Parcel 11 A-2

a. North 21 degrees 57 minutes 30 seconds West 406.97 feet to a point; thence
b. North 31 degrees 04 minutes 24 seconds West 36.89 feet to the point of beginning; thence

1. South 76 degrees 46 minutes 32 seconds East 38.89 feet to a point; thence

2. North 08 degrees 43 minutes 28 seconds West 97.36 feet to a point; thence

3. South 31 degrees 04 minutes 24 seconds East 101.97 feet to the point and place of BEGINNING.

Tract II being known as Parcel X-15 as shown on a certain map entitled "New Jersey State Highway Department General Property Key Map, Route 35 (Rev. 1937) Section 10, South Amboy Relocation from Mongage to Route 4 at Main Street, Showing Existing Right of Way and Parcels to be Acquired in The Borough of Sayerville and the City of South Amboy, Middlesex County", dated October 1935, and filed in the Middlesex County Clerk's Office in File No. 818, Map 1478.

The above description is in accordance with a survey made by Wm. DiMarzo & Son, Assoc., Inc. dated February 3, 2003.