

**Assisted Living of Wall Township
HMFA #1210**

FIRST MORTGAGE NOTE

Trenton, New Jersey

Dated: September 17, 2001

I. BORROWER'S PROMISE TO PAY

FOR VALUE RECEIVED, **ASSISTED LIVING OF WALL TOWNSHIP, L.L.C.**, a limited liability company, (the "Borrower") organized and existing pursuant to the laws of the State of New Jersey, duly authorized to transact business in the State of New Jersey and a qualified housing sponsor within the meaning of the New Jersey Housing and Mortgage Finance Agency Law of 1983, N.J.S.A. 55:14K-1 et seq., as amended (the "Act"), having its principal office at 253 Passaic Avenue, Fairfield, NJ 07004, promises to pay to the order of the **NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY**, (the "Lender") a body corporate and politic and an instrumentality exercising public and essential governmental functions of the State of New Jersey, created pursuant to the Act, at its principal office at 637 South Clinton Avenue, P.O. Box 18550, Trenton, New Jersey 08650-2085, or at such other place as may be designated in writing by the Lender, the sum of **Thirteen Million Five Hundred Seventy-Five Thousand Dollars (\$13,575,000)** (the "Principal Sum"), as may be adjusted pursuant to Section IV below, together with interest thereon at the rate of 7.45 per annum and together with the Servicing Fee set forth in Section III below.

II. DEFINITIONS

Capitalized terms used but not defined herein shall have the meaning assigned to such terms in the Financing, Deed Restriction and Regulatory Agreement (the "Regulatory Agreement") executed between the Borrower and Lender of even date herewith.

III. PAYMENTS

The Borrower shall pay the Principal Sum, together with interest thereon and the Servicing Fee as follows:

A. Interest shall be due on the Principal Sum at the initial rate of 8.129% per annum beginning on the date of this First Mortgage Note. Interest on the Principal Sum from the date of this First Mortgage Note through September 30, 2001, in the amount of \$39,303.16 shall be due and payable simultaneously with the execution of this First Mortgage Note.

B. Payments of principal and interest shall be due and payable on the first day of each month, beginning on November 1, 2001. The principal and interest due and payable each month shall be \$ 94,454.03. Borrower and Lender acknowledge that the foregoing principal and interest amount is based on a monthly amortization of the Principal Sum.

C. The Servicing Fee shall be due and payable on the first day of each month beginning on November 1, 2001 and shall be paid along with the monthly principal and interest payment. The Servicing Fee due and payable each month shall be \$ 7,353.13. Notwithstanding any reduction in, amortization of or other revision of the original principal amount set forth in Section 1 above, the Servicing Fee shall be due and payable throughout the term of the First Mortgage based upon the original principal sum as set forth in Section I above.

All payments received by the Lender pursuant to this First Mortgage Note for principal, interest and the Servicing Fee shall be credited first to the Servicing Fee, second to interest and then to the Principal Sum outstanding.

In addition to the payments set forth above, the Borrower agrees to make the payments as set forth in Section 16 of the Regulatory Agreement.

IV. ADJUSTMENT OF THE PRINCIPAL SUM

Any payments made by the Lender on behalf of the Borrower as set forth in the Regulatory Agreement shall be added to the Principal Sum and shall be repayable upon demand by the Lender.

V. MATURITY; ACCELERATION

This First Mortgage Note shall mature on October 1, 2031 according to the terms of the First Mortgage and the Regulatory Agreement, at which time the entire unpaid balance of the Principal Sum, together with all accrued interest thereon, and all Servicing Fees shall be due and payable.

It is expressly agreed that the entire unpaid balance of the Principal Sum, together with all accrued interest thereon, and all Servicing Fees shall, at the option of the Lender, its successor or assignee, become due and payable on the happening of any Event of Default by which, under the terms of the First Mortgage or the Regulatory Agreement, the entire unpaid balance of the Principal Sum, together with all accrued interest thereon and the Servicing Fees, may or shall become due and payable.

VI. MORTGAGE AS SECURITY

This First Mortgage Note is secured by a First Mortgage, which is a first mortgage lien on the

Project and the Land, and by the other security as enumerated in the First Mortgage and the other Loan Documents.

VII. **PREPAYMENT**

Except as is provided pursuant to the Regulatory Agreement and the Lender's regulations governing prepayment, this First Mortgage Note is not subject to prepayment and the Borrower agrees not to make any mortgage advance amortization payments during the term of the First Mortgage.

VIII. **ASSIGNMENT BY LENDER**

The Borrower hereby consents to any assignment of this First Mortgage Note by the Lender. No assignment or delegation of this First Mortgage Note by the Borrower is permitted unless approved in writing by the Lender. If assigned, all rights, duties, obligations and interest arising under this First Mortgage Note shall bind and inure to the benefit of the parties hereto and their respective heirs, personal representatives, successors and permitted assigns.

IX. **INCORPORATION OF DOCUMENTS**

All the terms, conditions and provisions of the Regulatory Agreement and First Mortgage are by reference thereto incorporated herein and made a part of this First Mortgage Note.

X. **NO RIGHT OF SET-OFF**

The obligations of the Borrower to make any payments required hereunder shall be absolute and unconditional without any defense or right of set-off, counterclaim or recoupment by reason of any default by the Lender under the Loan Documents or under any other agreement between the Lender and the Borrower or out of any indebtedness or liability at any time owing to the Borrower by the Lender for any other reason.

XI. **PERSONAL LIABILITY**

Notwithstanding any other provision contained in this First Mortgage Note or the other Loan Documents, the Lender agrees, on behalf of itself and any future holder of this First Mortgage Note, that the liability of the Borrower, any general or limited partner, member or shareholder of the Borrower and their respective heirs, representatives, successors and assigns, for the payment of its obligations under the Loan Documents, including, without limitation, the payment of principal and interest due and other charges due hereunder and thereunder, shall be limited to the collateral pledged under the First Mortgage and the other Loan Documents, and that the Lender shall have no

right to seek a personal judgment against the Borrower, any general or limited partner, member or shareholder of the Borrower, or their respective heirs, representatives, successors and assigns, individually, except to the extent necessary to subject all collateral pledged under the First Mortgage and the other Loan Documents to the satisfaction of the mortgage debt; provided, however, that the Lender shall retain the right to exercise any and all remedies granted to it under this First Mortgage Note and the other Loan Documents, including without limitation the right to sue for injunctive or other equitable relief. The foregoing limitation of liability shall not apply to any party to the extent such party has committed fraudulent, criminal or unlawful acts and shall not apply to such amounts that may be due to the Lender pursuant to Sections 11, 12, 13, 14, 15(c) through (e), 33 and 42 of the Regulatory Agreement.

XII. WAIVER OF FORMAL ACTS

All parties to this First Mortgage Note, whether Borrower, principal, surety, guarantor or endorser, hereby waive presentment for payment, demand, protest, notice of protest, and notice of dishonor.

XIII. MORTGAGE INSURANCE


The First Mortgage is being insured by the U.S. Department of Housing and Urban Development ("HUD") pursuant to Section 542 of the Housing and Community Development Act of 1992 and the regulations set forth at 24 CFR 266, in effect at the date of endorsement. The risk of loss being assumed by HUD in the event of default is 75%; by the Lender, 25%.

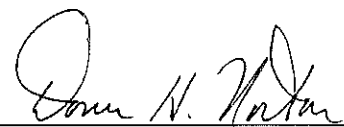
IN WITNESS WHEREOF, this First Mortgage Note is executed by the Borrower on the date first set forth above.

By signing below the Borrower acknowledges receipt of a true copy of this instrument.

WITNESS/ATTEST

ASSISTED LIVING OF WALL TOWNSHIP, L.L.C.

By: 
Mark Dubrow, Managing Member

By: 
Donn H. Norton, Managing Member