

\$16,890,000
New Jersey Health Care Facilities Financing Authority
Refunding Bonds, Shore Memorial Health Care System
Obligated Group Issue, Series 2013

The attached form of the Continuing Covenants Agreement dated as of September 1, 2013 by and among Shore Memorial Hospital d/b/a Shore Medical Center, Shore Health Services Corporation and Citizens Bank of Pennsylvania was executed and delivered in connection with the issuance by the New Jersey Health Care Facilities Financing Authority (the “Authority”) of the above referenced bonds on September 25, 2013. The attached form of the Continuing Covenants Agreement does not omit any information otherwise set forth in the fully executed form of the Continuing Covenants Agreement that could be considered to be material for the purpose of any purchaser or holder of any outstanding bonds issued by the Authority.

CONTINUING COVENANTS AGREEMENT

Among

SHORE MEMORIAL HOSPITAL

SHORE HEALTH SERVICES CORPORATION

and

CITIZENS BANK OF PENNSYLVANIA

Dated as of September 1, 2013

CONTINUING COVENANTS AGREEMENT

CONTINUING COVENANTS AGREEMENT (the “Agreement”), dated as of September 1, 2013, by and among SHORE MEMORIAL HOSPITAL d/b/a Shore Medical Center (the “Hospital”), SHORE HEALTH SERVICES CORPORATION (“Services”, and together with the Hospital, the “Institutions”), and CITIZENS BANK OF PENNSYLVANIA (“Bank”).

BACKGROUND

A. In accordance with the authorizing resolution adopted by the New Jersey Health Care Facilities Financing Authority (the “Authority”) dated August 22, 2013 (the “Authorizing Resolution”) and pursuant to the terms of that certain Trust Agreement between the Authority and The Bank of New York Mellon, as Bond Trustee (the “Bond Trustee”) dated of even date herewith (the “Trust Agreement”), the Authority has issued its New Jersey Health Care Facilities Financing Authority Refunding Bonds, Shore Memorial Health Care System Obligated Group Issue, Series 2013 in the aggregate amount of \$16,890,000 (the “Series 2013 Bonds”).

B. Pursuant to the terms of that certain Loan Agreement between the Authority and the Hospital dated as of the date hereof (the “Loan Agreement”), the Authority agreed to lend the proceeds of the Series 2013 Bonds to the Hospital (the “Series 2013 Loan”) to be used by the Hospital in the manner prescribed therein and in the Authorizing Resolution. In order to evidence the obligation to repay the Series 2013 Loan and all other amounts as may be required by the terms of the Loan Agreement and pursuant to the provisions of that certain Master Trust Indenture dated as of December 1, 1993 among the Institutions and U.S. Bank, National Association, as Master Trustee (the “Master Trustee”) (as amended and supplemented by that certain First Supplemental Indenture dated as of December 1, 1993 (the “First Supplemental Indenture”), that certain Second Supplemental Indenture dated as of June 1, 2003 (the “Second Supplemental Indenture”), that certain Third Supplemental Indenture dated as of September 1, 2009, that certain Fourth Supplemental Indenture dated as of January 1, 2010, that certain Fifth Supplemental Indenture dated as of December 1, 2011, and that certain Sixth Supplemental Indenture dated as of the date hereof, the “Master Indenture”), the Hospital, as the Obligated Group Representative (as defined in the Master Indenture) on behalf of itself and any other members of the Obligated Group (as defined in the Master Indenture) has executed and delivered to the Bond Trustee a \$16,890,000 Note dated as of the date hereof and payable to the order of the Bond Trustee (the “Series 2013 Note”). The Institutions’ obligations to repay the Series 2013 Note are secured by, inter alia, first priority mortgage liens on certain real property owned by the Institutions located in Somers Point, Atlantic County, New Jersey (the “Mortgaged Premises”), all as more fully described in those certain Mortgage and Security Agreements dated January 12, 1994 from the Institutions to the Master Trustee (as modified by those certain Mortgage Modification Agreements between the Institutions and the Master Trustee dated July 15, 2003, September 17, 2009, January 1, 2010, December 15, 2011 and of even date herewith, the “Mortgages”).

C. Bank is purchasing the Series 2013 Bonds as contemplated by the terms of that certain Direct Bond Purchase Agreement by and among the Authority, the Bank and approved

by the Institutions of even date herewith. In connection with such purchase, pursuant to the terms of that certain Assignment (the “Assignment”), the Authority has assigned to the Bond Trustee all (except as specifically set forth in the Assignment) of the Authority’s right, title and interest in and to the Loan Agreement.

D. In order to induce Bank to purchase the Series 2013 Bonds, and as a condition thereto, Bank has required that the Institutions enter into this Agreement to reflect certain terms and conditions to be applicable to the Institutions at all times while Bank (and/or its successors and assigns) is the Holder and owner of the Series 2013 Bonds, all as more fully set forth herein.

AGREEMENTS

NOW THEREFORE, in consideration of the Mortgaged Premises and the sum of One Dollar (\$1.00) to it duly paid by the Institutions, at the execution of this Agreement, the receipt of which is hereby acknowledged, the parties hereto, intending to be legally bound, do hereby agree as follows:

1. Definitions.

(a) General. Unless the context shall otherwise require, the words and terms defined in this Section 1, when used in this Agreement, shall have the meanings specified in this Section. In addition, all capitalized terms used but not defined herein shall have the meaning given to such terms in the Master Indenture as in effect on the date of this Agreement, unless otherwise agreed to by Bank in writing.

“Bond Documents” shall mean the Series 2013 Bonds, the Trust Agreement, the Loan Agreement, the Master Indenture and any and all documents, instruments and agreements relating to the foregoing, and any amendment, modification or supplement from time to time, to any of the foregoing.

“Capitalized Lease Obligations” means any Indebtedness represented by obligations under a lease that is required to be capitalized for financial reporting purposes in accordance with GAAP, consistently applied.

“Days Cash on Hand” means the ratio of (A) cash and marketable securities including board designated funds and plant and equipment funds, with the exception of funds restricted by the donor or funds limited to their use in connection with debt instruments, to (B) the quotient of (i) total operating expenses excluding depreciation and amortization expense for the relevant testing period, divided by (ii) the number of days in such testing period.

“Employee Benefit Plan” means any employee benefit or other plan established or maintained, or to which contributions have been made, by either Institution.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended from time to time, including the rules and regulations promulgated thereunder.

“ERISA Affiliate” means any corporation which is a member of the same controlled group of corporations (within the meaning of Section 414(b) of the Code) as any Institution, or

any trade or business which is under common control (within the meaning of Section 414(c) of the Code) with any Institution, or any organization which is required to be treated as a single employer with any Institution under Section 414(m) or 414(o) of the Code.

“Event of Default” has the meaning given to such term in Section 4 herein.

“Floating Rate Period” has the meaning given to such term in the Trust Agreement.

“GAAP” means generally accepted accounting principles as in effect on the date hereof applied in a manner consistent with the most recent audited financial statements of the Institutions furnished to Bank.

“Governmental Authorities” means the United States, the state in which the Mortgaged Premises are located and any political subdivision, agency, department, commission, board, bureau or instrumentality of either of them, including any local authorities, which exercises jurisdiction over the Institutions, the Mortgaged Premises or the Project.

“Hedging Agreements” means any Interest Hedging Instrument or any other interest rate protection agreement, foreign currency exchange agreement, commodity purchase or option agreement, or any other interest rate hedging device or swap agreement (as defined in 11 U.S.C. § 101 et. seq.).

“Indebtedness” means with respect to any Institution at any date, without duplication, (i) all indebtedness of such Institution for borrowed money (including with respect to the Hospital, the Series 2013 Loan) or for the deferred purchase price of property or services (other than current trade liabilities incurred in the ordinary course of business and payable in accordance with customary practices), (ii) any other indebtedness of such Institution which is evidenced by a note, bond, debenture or similar instrument, (iii) all Capitalized Lease Obligations of such Institution, (iv) the face amount of all letters of credit issued for the account of such Institution and all drafts drawn thereunder, (v) all obligations of any persons which any Institution has guaranteed, (vi) all net obligations of each Institution under Hedging Agreements, and (vii) all liabilities secured by any lien on any property owned by an Institution even though such Institution has not assumed or otherwise become liable for the payment thereof.

“Interest Hedging Instrument” means any documentation evidencing any interest rate swap, interest “cap” or “collar” or any other interest rate hedging device or swap agreement (as defined in 11 U.S.C. § 101 et. seq.) between any Institution and Bank (or any affiliate of Bank).

“Interest Payment Date” has the meaning given to such term in the Trust Agreement.

“Maximum Interest Rate” has the meaning given to such term in the Trust Agreement.

“Maximum Lawful Rate” means the maximum rate of interest permitted by applicable law.

“Multiemployer Plan” means any plan defined as such in Section 3(37) of ERISA.

“Pension Plan” means any employee pension benefit plan within the meaning of Section 3(2) of ERISA with respect to which any Institution or any ERISA Affiliate at any relevant time has liability or an obligation to contribute.

“Title Insurer” means Chicago Title Insurance Company.

(b) Accounting Principles: Where the character or amount of any asset or liability or item of income or expense is required to be determined or any consolidation or other accounting computation is required to be made for the purposes of this Agreement, this shall be done in accordance with GAAP as in effect on the date hereof, to the extent applicable, except as otherwise expressly provided in this Agreement. If there are any changes in GAAP after the date hereof that would affect the computation of the financial covenants set forth herein, such changes shall only be followed, with respect to such financial covenants, from and after the date this Agreement shall have been amended to take into account any such changes.

2. Financial Ratios; Covenants. At all times while Bank (and/or its successors and assigns) is the Holder of the Series 2013 Bonds, and notwithstanding the provisions of Section 4.2(A) of the First Supplemental Indenture (as modified by Section 3.1(K) of the Second Supplemental Indenture), the Institutions covenant and agree as follows:

(a) Indebtedness. No Institution will incur any Indebtedness if an Event of Default shall have occurred and be continuing with respect to the Series 2013 Note.

(b) Debt Service Coverage Ratio. Each Institution will conduct and maintain its operations and will fix and collect fees and charges in such manner that the Institutions will maintain a Debt Service Coverage Ratio, determined on a consolidated basis, of at least 1.25 to 1.00 for the fiscal quarter ending September 30, 2013, and for each fiscal quarter end thereafter, to be calculated on a trailing twelve (12) month basis.

(c) Liquidity. Each Institution will conduct and maintain its operations and will fix and collect fees and charges in such manner that the Institutions will maintain at least seventy-five (75) Days Cash on Hand, determined on a consolidated basis, for the fiscal half year ending December 31, 2013, and for each fiscal half year thereafter, calculated on a trailing six (6) month basis, in the case of the test done on June 30 of each year, and on a trailing twelve (12) month basis, in the case of the test done on December 31 of each year.

(d) Cushion Ratio. The Institutions shall maintain a ratio, determined on a consolidated basis, of (x) cash, cash equivalents, liquid investments (whether classified as current or non-current assets) and board designated funds for capital, to (y) the Maximum Annual Debt Service Requirement on all Outstanding Long Term Indebtedness (less amounts held in debt service reserve funds therefore) of not less than 1.50 to 1.00 for the fiscal quarter ending September 30, 2013, and for each fiscal quarter end thereafter.

(e) Current Ratio. The Institutions shall maintain a Current Ratio, determined on a consolidated basis, of not less than 1.00 to 1.00 for the fiscal quarter ending September 30, 2013, and for each fiscal quarter end thereafter.

(f) Debt to Capitalization Ratio. The Institutions shall maintain a ratio calculated by adding the Institutions' (i) current portion of long term Indebtedness, plus (ii) long term Indebtedness, divided by the Institutions' (x) current portion of long term Indebtedness, plus (y) long term Indebtedness, plus (z) unrestricted net assets of not more than sixty percent (60%) for the fiscal quarter ending September 30, 2013, and for each fiscal quarter end thereafter. In calculating unrestricted net assets for purposes of determining the debt to capitalization ratio pursuant to this Section 2(f), there shall be excluded any non-cash charge for pension liabilities.

Notwithstanding the provisions of Section 2(b), (c), (d), (e) or (f) to the contrary, if the Institutions fail to comply with any of the covenants set forth therein it shall not constitute an Event of Default hereunder provided (v) the Institutions then have achieved a Debt Service Coverage Ratio of at least 1.0 to 1.0, (w) the Institutions then have at least forty-five (45) Days Cash on Hand, (x) within forty-five (45) days after the end of each testing period during which there was any failure of compliance, the Institutions shall have provided notice to Bank, together with the certificate required to be delivered to the Bank pursuant to Section 6.15(a)(iv) of the Loan Agreement and Section 2(g) hereof, written notice of such failure of compliance (the date of delivery of such notice each being a "Required Reporting Date"), (y) within ninety (90) days after each Required Reporting Date the Institutions shall have retained a consultant reasonably acceptable to the Bank to provide, and such consultant shall have prepared and delivered to the Institutions and the Bank, within such ninety (90) day period following the Required Reporting Date, a report setting forth in detail the reasons for the Institutions' noncompliance with the requirements of the applicable Section and setting forth recommendations with respect to the operation and management of the Institutions which in such consultant's judgment will enable the Institutions to comply with such requirements at the earliest practicable time (each, a "Consultant's Report"), and (z) within ninety (90) days after the Institutions shall have received a Consultant's Report, but in no event later than one hundred eighty (180) days following the applicable Required Reporting Date, the Institutions shall have provided Bank with evidence satisfactory to Bank that the Institutions have implemented the recommendations set forth in the applicable Consultant's Report and that they are then in compliance with each of the covenants set forth in Section 2(b), (c), (d), (e) and (f) and any failure with respect thereto shall then constitute an Event of Default. For the avoidance of confusion, if a Consultant is engaged pursuant to the terms of the Master Indenture by reason of the Institutions' failure to maintain the required Debt Service Coverage Ratio or to comply with the Liquidity Covenant thereunder, then in the event that there is a conflict between the recommendations contained in the report of such Consultant (the "Master Indenture Consultant's Report") and those contained in the Consultant's Report, the recommendations in the Master Indenture Consultant's Report shall control, provided, however, regardless of the recommendations implemented the Institutions must in all events demonstrate compliance with the covenants set forth in Section 2(b), (c), (d), (e) and (f) as required pursuant to subpart (z) above.

(g) Financial and Other Reports. The Institutions shall provide Bank with copies of all financial and other reports delivered to the Authority pursuant to Section 6.15 of the Loan Agreement, concurrently with providing the same to the Authority; provided, however, (i) all such reports provided to Bank shall be with respect to both Institutions and not solely with respect to the Hospital, and (ii) the reports delivered pursuant to Sections 6.15(a)(iv) and (b)(ii)(C) of the Loan Agreement shall include a certificate signed by the chief financial

officer of the Borrower (x) setting forth the computation, as of the relevant fiscal period included in such report, of the ratios specified in Sections 2(b), (c), (d), (e) and (f) of this Agreement and (y) stating that no Event of Default under this Agreement has occurred and is continuing. The Institutions shall provide to the Bank an annual summary operating budget at least forty-five (45) days prior to the commencement of each Fiscal Year. Additionally, the Institutions shall provide Bank any and all financial or other information relating to any Institution as the Bank may reasonably request from time to time.

(h) Late Charge. The Hospital shall unconditionally pay to Bank a late charge equal to five percent (5%) of any and all payments of principal or interest on the Series 2013 Bonds that are not paid within five (5) days of the due date. Such late charge shall be due and payable regardless of whether the Series 2013 Bonds have been accelerated. The Hospital agrees that any late charge payable to Bank is a reasonable estimate of Bank's damages and is not a penalty and is in addition to (and not in substitution of) any late fee or charge payable by the Hospital under the Trust Agreement, Loan Agreement, or otherwise.

(i) Interest Rate Conversions. The Hospital shall not request that the Authority convert the interest rate on the Series 2013 Bonds from the Floating Rate to any other interest rate mode without Bank's prior written consent which consent Bank may withhold in its sole discretion.

(j) Appraisals. If at any time Bank shall deem it necessary to obtain a current appraisal of the Mortgaged Premises and Project, Bank may, at the Institutions' sole cost and expense, engage the services of an appraiser to provide a current appraisal of the Mortgaged Premises and Project and the Institutions shall timely pay to such appraiser all fees and expenses charged for such appraisal or, if Bank shall have paid for such appraisal, the Institutions shall reimburse Bank for same within ten (10) days of demand.

(k) Leases. No Institution will execute any lease of all or a substantial portion of the Mortgaged Premises except for actual occupancy by the lessee thereunder, and will at all times promptly and faithfully perform, or cause to be performed promptly, all of the covenants, conditions and agreements contained in all leases of the Mortgaged Premises, or any part thereof, now or hereafter existing, on the part of the lessor thereunder to be kept and performed and will at all times do all things necessary to compel performance by the lessee under each lease of all obligations, covenants and agreements by such lessee to be performed thereunder.

(l) Access Laws. The Mortgaged Premises shall at all times comply, to the extent applicable with the requirements of the Americans with Disabilities Act of 1990, as amended from time to time, all state and local laws and ordinances related to handicapped access and all rules, regulations, and orders issued pursuant thereto including, without limitation, the Americans with Disabilities Act Accessibility Guidelines for Buildings and Facilities, as amended from time to time (collectively, "Access Laws"). Notwithstanding any provisions set forth herein or in any other documents regarding Bank's approval or alterations of the Mortgaged Premises, the Institutions shall not alter the Mortgaged Premises in any manner that would increase the Institutions' responsibilities for compliance with the applicable Access Laws without the prior written approval of Bank. The foregoing shall apply to tenant improvements

constructed by either Institution or by any of its tenants. Bank may condition any such approval upon receipt of a certificate of Access Laws compliance from an architect, engineer, or other person reasonably acceptable to Bank. The Institutions will give prompt notice to Bank of the receipt by any Institution of any complaints related to violations of any Access Laws and of commencement of any proceedings or investigations related to compliance with applicable Access Laws.

(m) Project Publicity and Signage. Bank, in its sole discretion, shall have the right to announce and publicize relevant information with respect to the financing of the Project as it deems appropriate or desirable, by means and media selected by Bank. Such publicity may, at Bank's discretion, include all pertinent information relating to the Series 2013 Loan and the Project. All expenses related to publicizing the financing of the Project shall be the sole responsibility of Bank.

(n) Maximum Interest Rate. If the rate of interest on the Bonds would exceed the Maximum Interest Rate (but for the limitation imposed by the Trust Agreement on such rate to the Maximum Interest Rate) for any period for which interest is payable on the Bonds, then an amount equal to interest on the Bonds for such period at a rate equal to (i) the rate of interest which the Bonds would bear but for the limitation to the Maximum Interest Rate, but not to exceed the Maximum Lawful Rate, less (ii) the Maximum Interest Rate (the "Additional Amount"), shall be calculated. On the Interest Payment Date following an Floating Rate Period during which the Additional Amount accrues, the Institutions shall pay the Additional Amount to the Bank.

(o) Bond Document Covenants. The covenants of the Institutions set forth in the Bond Documents, as in effect on the date hereof, are hereby incorporated by reference in this Agreement for the benefit of the Bank as if the same were set forth at length herein together with all applicable definitions thereto. The Institutions shall not amend, supplement or otherwise modify (or permit any of the foregoing), or request or agree to any consent or waiver under, or effect or permit the cancellation or termination of, or release or permit the release of any of the Bond Documents to which it is a party in any manner without the prior written consent of the Bank, such consent of the Bank shall not be unreasonably withheld, conditioned or delayed; provided, however, the Institutions shall be permitted, without the prior written consent of the Bank, to amend, supplement or modify the Bond Documents in a manner that would not adversely affect the Bank's interests, including its rights, obligations or security, hereunder or under such Bond Documents. No amendment, modification, termination or replacement of any such provisions and definitions contained in any Bond Document to which an Institution is a party shall be effective to amend, modify, terminate or replace said provisions and definitions incorporated herein by this reference, without the prior written consent of the Bank.

(p) Banking Relationship. The Institutions shall maintain a mutually acceptable non-credit relationship with the Bank.

(q) Most Favored Lender. The Institutions shall notify the Bank in writing prior to entering into any agreement, amendment or modification pursuant to which either Institution (i) agrees to covenants that are more restrictive than those contained in this Agreement or (ii) grants collateral not supporting the Series 2013 Note on a senior or parity

basis. Effective upon an Institution's entry into any such agreement, amendment or modification, the corresponding covenants, terms and conditions of this Agreement shall be and shall, unless otherwise agreed to by the Bank, be deemed to be automatically and immediately amended to conform with and to include the applicable covenants, terms and/or conditions, including, but not limited to, the grant of collateral, specified in such agreement, amendment or modification. Each Institution hereby agrees promptly to execute and deliver any and all such documents and instruments and to take all such further actions as the Bank may, in its sole discretion, deem necessary or appropriate to effectuate the provisions of this Section 2(p).

3. Representations and Warranties. In order to induce Bank to purchase the Series 2013 Bonds, the Institutions represent and warrant to Bank as follows:

(a) Bond Document Representations and Warranties. Each Institution makes, for the benefit of the Bank, all representations and warranties of each Institution set forth in the Master Indenture and the Loan Agreement, as if such representations and warranties were set forth herein. All such representations and warranties are hereby incorporated by reference as though they were set forth herein in their entirety.

(b) Due Formation, Power and Authority. Each Institution is a corporation, duly organized, validly existing and in good standing under the laws of the State of New Jersey, and has full power and authority to consummate the transactions contemplated hereby and to execute, deliver and perform this Agreement and any Related Financing Document to which it is a party.

(c) Legally Enforceable Agreements. This Agreement and each other Related Financing Document to which either Institution is a party is a legal, valid and binding obligation of such party, enforceable against such party in accordance with its terms, except to the extent that such enforcement may be limited by applicable bankruptcy, insolvency and other similar laws affecting creditors' rights generally.

(d) Financial Statements. The Institutions' Audited Financial Statements have been heretofore delivered to Bank, all of which are true, correct and current in all respects and which fairly present the respective financial conditions of the subjects thereof as of the respective dates thereof; no material adverse change has occurred in the financial conditions reflected therein since the respective dates thereof and no borrowings (other than the Series 2013 Loan) which might give rise to a lien or claim against the Mortgaged Premises have been made by the Hospital or others since the dates thereof.

(e) Compliance With Laws; Payment of Taxes. The Institutions are in compliance with, and the transactions contemplated hereby and the Related Financing Documents do not and will not violate any provision of, or require any filing, registration, consent or approval under, any law presently in effect having applicability to either Institution; the Institutions have filed all tax returns (federal, state and local) required to be filed and have paid all taxes, assessments and governmental charges and levies due and payable (including those in respect of the Mortgaged Premises), including interest and penalties.

(f) Litigation. There are no actions, suits or proceedings pending or threatened against or affecting either Institution (except as previously disclosed to Bank), the Mortgaged Premises, the validity or enforceability of the Mortgages or the priority of the lien thereof at law, in equity or before or by any Governmental Authorities except actions, suits or proceedings which have been disclosed to Bank in writing and which are fully covered by insurance or would, if adversely determined, not substantially impair the ability of the Institutions to pay when due any amounts which may become payable under the Series 2013 Note or to otherwise pay and perform their respective obligations in connection with the Series 2013 Bonds; to each Institution's knowledge, neither Institution is in default with respect to any order, writ, injunction, decree or demand of any court or Governmental Authorities.

(g) No Conflicts or Defaults. The consummation of the transactions contemplated hereby and the performance hereof and of the Related Financing Documents have not resulted and will not result in any breach of, or constitute a default under, any mortgage, deed of trust, lease, bank loan or credit agreement, corporate charter, by laws, operating agreement, partnership agreement or other instrument to which either Institution is a party or by which either of them may be bound or affected.

(h) Solvency. Each Institution is, and upon consummation of the transactions contemplated by this Agreement, the Related Financing Documents and any other related documents, will be, solvent.

(i) Governmental Regulation. No Institution is subject to regulation under the Investment Company Act of 1940, as amended from time to time, or any law limiting its ability to incur indebtedness for money borrowed as contemplated hereby.

(j) Insurance. Each Institution has in force, and has paid the premiums in respect of, all of the insurance required by the Related Financing Documents.

(k) ERISA. Neither Institution nor any other person or entity, including any fiduciary, has engaged in any prohibited transaction (as defined in Section 4975 of the Code or Section 406 of ERISA) which could subject such Institution or any person or entity which they have an obligation to indemnify to any tax or penalty imposed under Section 4975 of the Code or Section 502 of ERISA; neither Institution nor any ERISA Affiliate maintains, contributes to or has any liability with respect to a Multiemployer Plan or any other plan subject to Title IV of ERISA; each Employee Benefit Plan is administered in accordance with its terms and in compliance with all applicable laws, including any reporting requirements; each Pension Plan intending to qualify under Section 401(a) or 401(k) of the Code does so qualify; there is no lien outstanding or security interest given in connection with a Pension Plan; neither Institution nor any ERISA Affiliate has any liability with respect to an accumulated funding deficiency (whether or not waived) under Section 412 of the Code or Section 302 of ERISA; neither Institution has any liability for retiree medical or death benefits (contingent or otherwise) other than as required by Section 4980B of the Code; and no part of the funds to be used by either Institution in satisfaction of their respective obligations under this Agreement and the Related Financing Documents constitute "**plan assets**" of any "**employee benefit plan**" within the meaning of ERISA or of any "**plan**" within the meaning of Section 4975(e)(1) of the Code, as

interpreted by the Internal Revenue Service and the United States Department of Labor in rules, regulations, releases or bulletins or as interpreted under applicable case law.

(l) No Events of Default. There exists no Event of Default.

(m) Accuracy of Information, Full Disclosure. Neither this Agreement nor any documents, financial statements, reports, notices, schedules, certificates, statements or other writings furnished by or on behalf of either Institution to Bank in connection with the negotiation of this Agreement or Related Financing Documents or the consummation of the transactions contemplated hereby, or required herein or by the Related Financing Documents to be furnished by or on behalf of either Institution, contains any untrue or misleading statement of a material fact or omits a material fact necessary to make the statements herein or therein not misleading; there is no fact which either Institution has not disclosed to Bank in writing which materially affects adversely nor, so far as either Institution can now foresee, will materially affect adversely any of the Mortgaged Premises or the business affairs or financial condition of either Institution, or the ability of either Institution to perform this Agreement and the Related Financing Documents.

(n) Title; Separate Tax and Zoning Lot. Each Institution has good and marketable title to an indefeasible fee estate in the Mortgaged Premises subject to no lien, charge or encumbrance, other than Permitted Encumbrances. The Mortgaged Premises constitute one or more distinct parcels and tax lots for purposes of zoning and of taxes, assessments and impositions (public or private) and are not otherwise considered as part of a larger single lot for purposes of zoning or of taxes, assessments or impositions (public or private).

(o) Patriot Act.

(i) No Institution nor any of its principals, constituents, investors or affiliates is in violation of any legal requirements relating to terrorism or money laundering, including Executive Order No. 13224 on Terrorist Financing (effective September 24, 2001, (the "Executive Order") and the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (Public Law 107-56, the "Patriot Act").

(ii) No Institution nor any of its principals, constituents, investors or affiliates is a "Prohibited Person" which is defined as follows:

(1) a person or entity that is listed in the annex to, or is otherwise subject to the provisions of, the Executive Order;

(2) a person or entity owned or controlled by, or acting for or on behalf of, any person or entity that is listed in the annex to, or is otherwise subject to the provisions of, the Executive Order;

(3) a person or entity with whom an Institution is prohibited from dealing or otherwise engaging in any transaction by any terrorism or money laundering legal requirements, including the Executive Order and the Patriot Act;

(4) a person or entity who commits, threatens or conspires to commit or supports "terrorism" as defined in the Executive Order;

(5) a person or entity that is named as a “specially designated national and blocked person” on the most current list published by the U.S. Treasury Department Office of Foreign Assets Control; and

(6) a person or entity who is affiliated with a person or entity listed above.

(iii) No Institution nor any of its principals, constituents, investors or affiliates will (i) conduct any business or engage in any transaction or dealing with any Prohibited Person, including the making or receiving of any contribution of funds, goods or services to or for the benefit of any Prohibited Person, (ii) deal in, or otherwise engage in any transaction relating to, any property or interests in property blocked pursuant to the Executive Order; or (iii) engage in or conspire to engage in any transaction that evades or avoids, or has the purposes of evading or avoiding, or attempts to violate, any of the prohibitions set forth in the Executive Order or the Patriot Act.

4. Events of Default. Each of the following shall constitute an Event of Default hereunder (“Events of Default”):

(a) if either Institution shall default in the due observance or performance of any covenant, term or agreement on the part of such Institution contained herein and such default shall have continued for a period of ten (10) days after written notice has been given to Bank to the Institutions specifying such default; or

(b) if any representation or warranty of either Institution made in Section 3 shall now or hereafter be false; or

(c) if either Institution shall fail to pay or perform any other obligation to Bank under any other agreement or note or otherwise arising, whether or not related to the Series 2013 Bonds or the Series 2013 Note, after the expiration of any notice and/or grace periods permitted in such documents;

(d) if any event which would constitute an Event of Default under the Loan Agreement or the Master Indenture shall occur.

5. Remedies. Upon the occurrence of an Event of Default Bank may, by immediate written notice to the Institutions, the Bond Trustee, the Master Trustee and the Authority direct the Master Trustee, pursuant to Article VII of the Master Indenture, the Bond Trustee, pursuant to Article VII of the Trust Agreement, and the Authority pursuant to Article VII of the Loan Agreement (x) to declare the principal amount then outstanding of and accrued interest on the Series 2013 Bonds and Series 2013 Note (subject to the rights of holders of other Obligations issued under or pursuant to the Master Indenture) to be forthwith due and payable and (y) to exercise, or cause to be exercised (subject to the rights of holders of other Obligations issued under or pursuant to the Master Indenture), any and all such remedies as the Bond Trustee and/or the Master Trustee and/or the Authority may have under the Related Financing Documents, or any agreement executed in connection therewith, or as each of them may have at law or in equity. In addition, Bank may exercise, or cause to be exercised, any and all such

remedies as Bank may have hereunder or under the Related Financing Documents, or any agreement executed in connection therewith, or as Bank may have at law or in equity.

6. Miscellaneous.

(a) Commitment Fee. The Institutions shall, concurrently with the execution of this Agreement, pay to Bank its commitment fee in the amount of \$ _____, which fee is earned by Bank upon the execution hereof whether or not any advances of the Series 2013 Loan are made.

(b) Termination of Agreement. This Agreement shall terminate upon the earlier of (i) such time as Bank and its successors or assigns cease to be the Holder of the Series 2013 Bonds, or (ii) the indefeasible payment in full of the Series 2013 Bonds, including the principal thereof, all interest accrued thereon, and all other amounts payable thereunder.

(c) Amendments and Waivers. None of the terms and provisions hereof may be changed, waived, discharged or terminated, nor may any material departure from the provisions hereof or thereof be consented to, except by an instrument in writing signed by the party against whom enforcement of the change, waiver, discharge, termination or consent is sought. Any such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

(d) Successors and Assigns. Except as herein provided, this Agreement shall be binding upon and inure to the benefit of the Institutions and Bank and their respective successors and assigns. Notwithstanding the foregoing, neither Institution, without the prior written consent of Bank in each instance, may not assign, transfer or set over to another, in whole or in part, all or any part of its benefits, rights, duties and obligations hereunder, including, but not limited to, performance of and compliance with conditions hereof.

(e) Severability. The provisions hereof are intended to be severable. Any provisions hereof, or the application thereof to any person, entity or circumstance, which, for any reason, in whole or in part, is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof (or the remaining portions of such provision) or the application thereof to any other person, entity or circumstance, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision (or portion thereof) or the application thereof to any person, entity or circumstance in any other jurisdiction.

(f) Non Waiver, Remedies Cumulative. No failure or delay on Bank's part in exercising any right, remedy, power or privilege (hereinafter in this Section, each a "Remedy") hereunder or under any of the Related Financing Documents shall operate as a waiver of any such Remedy or shall be deemed to constitute Bank's acquiescence in any default by either Institution under any of said documents. A waiver by Bank of any Remedy hereunder or under any of the Related Financing Documents on any one occasion shall not be construed as a bar to any other or future exercise thereof or of any other Remedy. The Remedies provided in

said documents are cumulative, may be exercised singly or concurrently and are not exclusive of any Remedies provided therein or by law.

(g) Certain Waivers. Except as expressly provided for herein, the Institutions hereby irrevocably and unconditionally waive (i) promptness and diligence; (ii) notice of any actions taken by Bank hereunder or under any Related Financing Document or any other agreement or instrument relating thereto except to the extent otherwise provided herein, (iii) all other notices, demands and protests, and all other formalities of every kind in connection with the enforcement of the Institutions' obligations hereunder and under the Related Financing Documents, the omission of or delay in which, but for the provisions of this Section, might constitute grounds for relieving the Institutions of any of their obligations hereunder or under the Related Financing Documents, (iv) any requirement that Bank protect, secure, perfect or insure any lien on any collateral for the Series 2013 Bonds or exhaust any right or take any action against either Institution or any other person or entity or against any collateral for the Series 2013 Bonds, (v) any right or claim of right to cause a marshalling of the Institutions' assets and (vi) all rights of subrogation or contribution, whether arising by contract or operation of law or otherwise by reason of payment by the Institutions pursuant hereto or to the Related Financing Documents.

(h) Expenses; Indemnification. The compliance of Bank with the provisions of this Agreement shall be made without cost to Bank. The Institutions covenant and agree to pay all costs, expenses and charges (including, without limitation, all fees and charges of engineers, appraisers, the Construction Consultant and Bank's counsel) incurred by Bank in connection with (i) the preparation for and consummation of the transactions contemplated hereby or for the performance hereof and of the Related Financing Documents, and for any services which may be required in addition to those normally and reasonably contemplated hereby and (ii) the enforcement hereof or of any or all of the Related Financing Documents. If the Institutions fail to pay promptly any costs, charges or expense required to be paid by it as aforesaid, and Bank pays such costs, charges or expenses, the Institutions shall reimburse Bank on demand for the amounts so paid, together with interest thereon at the Default Rate. The Institutions further agree to indemnify Bank and its directors, officers, employees and agents from, and hold each of them harmless against, (x) any and all losses arising out of or by reason of any investigation or litigation or other proceedings (including any threatened investigation or litigation or other proceedings) relating to any actual or proposed use by the Hospital of the proceeds of Series 2013 Bonds, including, without limitation, the fees and disbursements of counsel incurred in connection with any such investigation, litigation or other proceedings and (y) any and all claims, actions, suits, proceedings, costs, expenses, losses, damages and liabilities of any kind, including in tort, penalties and interest, arising out of or by reason of any matter relating, directly or indirectly, to the Series 2013 Bonds, the Series 2013 Note or the ownership, condition, development, construction, sale, rental or financing of the Mortgaged Premises or the Project or any part thereof (but excluding any such losses, liabilities, claims, damages or expenses incurred solely by reason of the gross negligence or willful misconduct of the party to be indemnified). The obligations of the Institutions under this Section shall survive the termination of this Agreement.

(i) Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument, and any party hereto may execute this Agreement by signing any such counterpart.

(j) Governing Law; Jurisdiction. This Agreement and the rights and obligations of the parties hereunder shall in all respects be governed by, and construed and enforced in accordance with, the laws of the State of New Jersey (without giving effect to principles of conflicts of law). The Institutions hereby irrevocably submit to the nonexclusive jurisdiction of any State of New Jersey or Federal court sitting in the City of Somers Point, County of Atlantic, State of New Jersey over any suit, action or proceeding arising out of or relating to this Agreement, and the Institutions hereby agree and consent that, in addition to any methods of service of process provided for under applicable law, all service of process in any such suit, action or proceeding in any State of New Jersey or Federal court sitting in the City of Somers Point, County of Atlantic, State of New Jersey, may be made by certified or registered mail, return receipt requested, directed to the Institutions at 1 East New York Avenue, Somers Point, New Jersey 08244, and service so made shall be complete five (5) days after the same shall have been so mailed.

(k) **WAIVER OF TRIAL BY JURY.** EACH INSTITUTION AND BANK EACH HEREBY AGREE NOT TO ELECT A TRIAL BY JURY OF ANY ISSUE TRIABLE OF RIGHT BY JURY, AND WAIVE ANY RIGHT TO TRIAL BY JURY FULLY TO THE EXTENT THAT ANY SUCH RIGHT SHALL NOW OR HEREAFTER EXIST WITH REGARD TO THIS AGREEMENT OR THE RELATED FINANCING DOCUMENTS, OR ANY CLAIM, COUNTERCLAIM OR OTHER ACTION ARISING IN CONNECTION THEREWITH. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS GIVEN KNOWINGLY AND VOLUNTARILY BY THE INSTITUTIONS AND BANK, AND IS INTENDED TO ENCOMPASS INDIVIDUALLY EACH INSTANCE AND EACH ISSUE AS TO WHICH THE RIGHT TO A TRIAL BY JURY WOULD OTHERWISE ACCRUE. EACH INSTITUTION AND BANK ARE EACH HEREBY AUTHORIZED TO FILE A COPY OF THIS PARAGRAPH IN ANY PROCEEDING AS CONCLUSIVE EVIDENCE OF THIS WAIVER.

(l) **ADDITIONAL WAIVERS IN THE EVENT OF ENFORCEMENT.** EACH INSTITUTION HEREBY EXPRESSLY AND UNCONDITIONALLY WAIVES, IN CONNECTION WITH ANY SUIT, ACTION OR PROCEEDING BROUGHT BY OR ON BEHALF OF BANK ON THIS AGREEMENT, ANY AND EVERY RIGHT EITHER INSTITUTION MAY HAVE TO (I) INJUNCTIVE RELIEF, (II) INTERPOSE ANY COUNTERCLAIM THEREIN (OTHER THAN COMPULSORY COUNTERCLAIMS), AND (III) HAVE THE SAME CONSOLIDATED WITH ANY OTHER OR SEPARATE SUIT, ACTION OR PROCEEDING. NOTHING HEREIN CONTAINED SHALL PREVENT OR PROHIBIT THE INSTITUTIONS FROM INSTITUTING OR MAINTAINING A SEPARATE ACTION AGAINST BANK WITH RESPECT TO ANY ASSERTED CLAIM.

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IN WITNESS WHEREOF, the parties have executed and delivered this Agreement as of the day and year first above written, the execution hereof by the Institutions constituting a certification by the party or parties executing on its behalf that the representations and warranties made in Section 3 hereof are true and correct as of the date hereof and that each of them duly holds and is incumbent in the position indicated under his or her name.

SHORE MEMORIAL HOSPITAL

By: _____
Name: Ronald Johnson
Title: President and Chief Executive Officer

SHORE HEALTH SERVICES CORPORATION

By: _____
Name: Ronald Johnson
Title: President and Chief Executive Officer

CITIZENS BANK OF PENNSYLVANIA

By: _____
Name: Gregory M. Stanbach
Title: Senior Vice President