

ADDENDUM TO
WESTCHESTER MEADOWS RESIDENCY AGREEMENT
[ALL RESIDENTS SHOULD CONSULT WITH LEGAL COUNSEL AND A
FINANCIAL PROFESSIONAL TO DISCUSS THE RAMIFICATIONS OF EXECUTING
OR NOT EXECUTING THIS ADDENDUM]

This Addendum is made this ____ day of _____, 2016 to the Westchester Meadows Residency Agreement (as amended, the “*Residency Agreement*”) to which it is attached by and between Hebrew Hospital Senior Housing, Inc. (“*Hebrew Hospital*”), as sponsor, owner and operator of the Westchester Meadows Continuing Care Retirement Community (“*Westchester Meadows*”), and the undersigned resident of Westchester Meadows (“*Resident*”). Terms used herein but not otherwise defined shall have the meanings ascribed to such terms in the Residency Agreement.

Hebrew Hospital filed a voluntary petition for relief under Title 11, Chapter 11 of the Bankruptcy Code on December 9, 2015 in the United States Bankruptcy Court, Southern District of New York (the “*Bankruptcy Court*”) in case # 15-13264-mew now jointly administered with two related chapter 11 cases under case # 15-11158 (the “*Bankruptcy Proceedings*”).

In connection with the Bankruptcy Proceedings, on August 18, 2016, the Bankruptcy Court entered an order [Docket # 354] (“*Sale Order*”) that approved of the sale of substantially all assets used in the Westchester Meadows operations to The Bethel Methodist Home, Inc. (“*Bethel*”) pursuant to the Asset Purchase Agreement dated as of August 17, 2016, by and among Hebrew Hospital and Bethel (or its designee) (the “*Asset Purchase Agreement*”).

Pursuant to the Asset Purchase Agreement, Hebrew Hospital is required to offer an amendment of its residency agreements to its current residents, restructuring the current Entrance Fee Refund due to the residents in accordance with this Addendum. Upon closing of the transactions contemplated by the Asset Purchase Agreement and Sale Order, the Residency Agreement as modified by this Addendum shall be assigned to and assumed by Bethel, and Bethel shall assume direct control over all operations of Westchester Meadows under the name The Bethel Methodist Home (the “*Facility*”).

Under the terms of the Bankruptcy Court Sale Order approving the Asset Purchase Agreement, if a resident does not execute this Addendum, such resident’s existing Residency Agreement will not be transferred to Bethel at the closing of the transaction. Such Residency Agreement will instead remain with the Westchester Meadows bankruptcy estate, and Westchester Meadows will “reject” the Residency Agreement through mechanisms provided for in Section 365 of the Bankruptcy Code. Rejection of a Residency Agreement in bankruptcy terminates the Residency Agreement. If a Resident refuses to sign this Addendum and his or her

Residency Agreement is rejected by Westchester Meadows, such Resident will have no rights to remain at the Facility upon closing of the sale transaction unless the Resident signs a new Residency Agreement with Bethel.

This Addendum will be held in escrow by Hebrew Hospital until Bethel and Hebrew Hospital close the sale transaction (“*Effective Date*”). Upon the Effective Date, this Addendum will be released from escrow and the Residency Agreement, as modified by this Addendum, will be assigned to and assumed by Bethel. **This Addendum only changes and modifies the amount and terms of payment of your entrance fee refund. The other terms of your Residency Agreement remain in full force and effect.**

Hebrew Hospital and Resident hereby agree as follows:

1. **Revised Entrance Fee Refund.** Seven and one-half percent (7.5%) of the Entrance Fee Refund will be due thirty (30) days after a new resident signs a residency agreement and pays the then applicable Entrance Fee for Resident’s Independent Living Apartment, but in no event later than one (1) year after the termination of the Residency Agreement. The amounts to be paid pursuant to this Section 1 are subject to payment in accordance with New York Public Health Law Section 4609(4).
2. **Conditional Payment Amount.** Payment of Sixty-seven and one-half (67.5%) of the Entrance Fee Refund (“*Conditional Payment Amount*”) is conditioned upon the Facility achieving the future financial targets set forth on Schedule A hereto (the “*Financial Targets*”). After compliance with the conditions set forth in Section 1 above, payment of the Conditional Payment Amount will be made in part or in full, or not at all, depending on the Facility’s performance relative to the Financial Targets.
 - a. Testing of the Financial Targets shall occur on an annual basis with testing based on the Facility’s audited financial statements beginning with the Facility’s fiscal year ending December 31, 2017. The annual testing will be concluded no later than May 31 of the year following conclusion of the applicable fiscal year, and shall continue on an annual basis until such time as the Conditional Payment Amount has been fully repaid to all eligible residents.
 - b. Within five (5) business days of the conclusion of the annual testing, the Facility will mail a notice to each resident entitled to the Conditional Payment Amount (or to such resident’s representative) stating whether or not the Financial Targets have been met during the immediately preceding fiscal year and the payment amount due to the resident, if any. If the Financial Targets

have been met, the permitted payment will be mailed to the resident within 30 days following completion of testing. IT IS POSSIBLE THAT THE FACILITY MEETS THE FINANCIAL TARGETS AND IS ALLOWED TO MAKE A PAYMENT IN ONE YEAR, BUT NOT IN A SUBSEQUENT YEAR.

- c. Amounts available to be paid pursuant to this Section 1(a)(ii) shall be distributed to eligible residents on a pro rata basis with all eligible residents who have executed this Addendum.
- d. The Conditional Payment amount is not considered an “Entrance fee” as that term is defined in New York Public Health Law Section 4601(6). THE CONDITIONAL PAYMENT AMOUNT IS AT RISK OF NONPAYMENT.

3. **Remainder Liability Payment Terms.** Twenty-five percent (25%) of the Entrance Fee Refund (“*Remainder Liability*”) shall be funded by Bethel over time from funds generated by operations at the Facility with annual deposits of up to Five Hundred Thousand Dollars (\$500,000.00) per year placed into an interest-bearing escrow reserve (the “*Remainder Liability Reserve*”) until such time as the contributions to the Remainder Liability Reserve equal the aggregate amount of the Remainder Liability payable to all residents who have executed this Addendum. The annual deposits are expected to commence during the second year of operations following closing of the transactions contemplated by the Asset Purchase Agreement and are subject to meeting the Financial Targets each year. THIS IS MERELY A PROJECTION ON WHEN THE ANNUAL DEPOSITS WILL COMMENCE. SUCH DEPOSITS MAY NOT COMMENCE UNTIL AN UNDETERMINED LATER DATE. ONCE DEPOSITS HAVE COMMENCED, DEPOSITS MAY NOT OCCUR EVERY YEAR DEPENDING UPON THE FACILITY’S FINANCIAL PERFORMANCE DURING THE PRECEDING FISCAL YEAR. At such time as the Remainder Liability Reserve is fully funded (the “*Remainder Liability Funding Date*”), Resident will be entitled to receive full payment of Resident’s Remainder Liability plus Resident’s pro rata share of the interest accrued on funds held in the Remainder Liability Reserve, in full and final payment of the obligations owed to Resident. Payment of the Remainder Liability Reserve plus applicable interest shall be made as follows:

- (a) If the Residency Agreement has not been terminated as of the Remainder Liability Funding Date, upon termination of the Residency Agreement, payment will be due no later than thirty (30) days after a new resident

signs a residency agreement and pays the then applicable Entrance Fee for Resident's Independent Living Apartment, but in no event later than one (1) year after the termination of the Residency Agreement; and

- (b) If the Residency Agreement was terminated prior to the Remainder Liability Funding Date, payment will be due:
 - i. no later than thirty (30) days following the Remainder Liability Funding Date if as of the Remainder Liability Funding Date a new resident has signed a residency agreement and has paid the then applicable Entrance Fee for Resident's Independent Living Apartment; or
 - ii. no later than thirty (30) days after a new resident signs a residency agreement and pays the then applicable Entrance Fee for Resident's Independent Living Apartment, but in no event later than one (1) year after the Remainder Liability Funding Date.

The Remainder Liability is not considered an "Entrance fee" as that term is defined in New York Public Health Law Section 4601(6). THE REMAINDER LIABILITY IS AT RISK OF NONPAYMENT.

4. **Conflicting Terms**. To the extent that the terms of this Addendum shall differ from the terms of the Residency Agreement, this Addendum shall control.

[SIGNATURE PAGE FOLLOWS THIS PAGE]

The parties have executed this Addendum as of the date first written above.

HEBREW HOSPITAL SENIOR HOUSING, INC.

By: _____

Name: _____

Title: _____

RESIDENT:

Signature: _____

Name: _____

Address: _____

SCHEDULE A TO ADDENDUM

FINANCIAL TARGETS

The Facility must maintain the following minimum financial targets after giving effect to any Conditional Payment Amount and any deposit into the Remainder Liability Reserve:

- Debt Service Coverage Ratio of 1.35x
- Days Cash on Hand of 300 days

“Debt Service Coverage” is defined as: $\text{Net Income} + \text{Interest Expense} + \text{Depreciation \& Amortization} + \text{Net Entrance Fee Proceeds from Unit Turnover} - \text{New Entrance Fees (on currently vacant units)} - \text{Entrance Fee Amortization}$ *divided by* Annual Debt Service.

“Days Cash on Hand” is defined as: $\text{Unrestricted Cash \& Investments} + \text{Statutory Reserve Fund}$ *divided by* Daily Cash Operating Expenses (Total Operating Expenses – Depreciation & Amortization – Other Non-Cash Items) *divided by* 365).