

## APPENDIX C

### **SECURITY.**

**Amount of Security.** Simultaneously with the execution and delivery of this Lease, the Tenant shall deliver to the Landlord, as security (the "Security") for the full and faithful performance by the Tenant of the Tenant's obligations under this Lease, a letter of credit ("LOC") in the amount of \_\_\_\_\_ (\$\_\_\_\_\_) Dollars. The LOC shall be an unconditional, clean, irrevocable letter of credit, issued by a United States Bank, reasonably acceptable to the Landlord that accepts deposits, maintains accounts and has a local \_\_\_\_\_ County New Jersey office for purposes of drawing on the LOC. The LOC will be in form and content acceptable to the Landlord in its reasonable discretion, and transferable without cost to the Landlord, from time to time. The Tenant will pay all charges to obtain the LOC and all renewals and transfers thereof. The LOC shall be payable solely upon its presentation with a sight draft. The LOC shall be an "Evergreen Letter of Credit" that shall renew automatically from year to year unless it is terminated by the issuer upon forty-five (45) days prior written notice to the Landlord (and upon such notice, the Landlord shall be permitted to draw upon the LOC to convert the LOC to cash, unless a replacement LOC meeting the requirements of this paragraph is issued and received by the Landlord at least twenty (20) days prior to the termination of the existing LOC). The LOC shall be drafted so that the LOC shall not expire sooner than thirty (30) days following the Termination Date, as the Termination Date may be extended pursuant to this Lease. If a default under this Lease shall occur, the Landlord may, but shall not be required to, draw upon all or any portion of the LOC for payment of any rent or additional rent due as a result of the default. The use of the LOC or any part of it by the Landlord shall not prevent the Landlord from exercising any other right or remedy provided by this Lease or by Laws. The Landlord shall not be required to proceed against the LOC. The LOC shall not operate as a limitation on any recovery to which the Landlord may be entitled. Any amount of the LOC that is drawn upon by the Landlord, but is not used or applied by the Landlord, shall be held by the Landlord and be deemed Security. If any portion of the LOC is drawn, the Tenant shall, within five (5) days after demand of the Landlord, either: (A) deposit cash with the Landlord in an amount sufficient to cause the sum of the cash and the amount of the remaining LOC to equal the amount of the LOC then required under this Lease, or (B) reinstate the LOC to the amount then required under this Lease. If the Landlord transfers or mortgages the Property, the Landlord may transfer the Security, including, without limitation, the LOC, to the transferee and mortgagee and the Tenant shall look solely to the transferee or mortgagee for the return of the Security or LOC, or both, as the case may be.

**Return of Security.** The Tenant shall not have the right to apply the Security to the payment of fixed rent and/or additional rent due under this Lease. The Security shall be returned to the Tenant, after the Expiration Date, provided that the Tenant has fully and faithfully performed all of the provisions of this Lease applicable to the Tenant and delivered possession of the Demised Premises to the Landlord in accordance with the terms of this Lease.

**Application of Security.** During the Lease term, the Landlord may, if the Landlord so elects, have recourse to the Security (by making demand pursuant to the LOC) to make good any default by the Tenant and for any sum which the Landlord may expend by reason of the Tenant's default, in which event the Tenant shall, within five (5) days of demand of the Landlord, restore the Security to its full amount. The failure of the Tenant to restore the Security to its full amount shall entitle the Landlord to all of the same rights and remedies the Landlord has for the non-payment of the fixed rent by the Tenant.

**Security Runs with the Land.** The Landlord shall assign or transfer the Security to any subsequent owner or holder of the title to the Property, in which event the assignee shall become solely obligated for the repayment of the Security to the Tenant and the assignor shall be released of the obligation to return the Security. The above provisions shall be applicable to every transfer or sale of title to the Property.

**No Mortgage on Security.** The Tenant shall not mortgage, assign or encumber the Security.