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97-425433
OF COUNTY RECORDER

**MORTGAGE, ASSIGNMENT OF LEASES
AND RENTS AND SECURITY AGREEMENT**

THIS MORTGAGE, ASSIGNMENT OF LEASES AND RENTS AND SECURITY AGREEMENT (this "Mortgage"), is dated as of the 1st day of May, 1997, by **RIVER OAKS PARTNERS**, an Illinois general partnership, whose address is c/o Brookdale Living Communities, Inc., 77 West Wacker Drive, Suite 3900, Chicago, Illinois 60601 (together with its successors and assigns, individually and collectively, "Mortgagor"), in favor of **BANK ONE, ILLINOIS, NA**, a national banking association, with a place of business at 311 South Arlington Heights Road, Arlington Heights, Illinois 60005-1930 (together with its successors and assigns, "Mortgagee"), as collateral agent for itself and **LaSALLE NATIONAL BANK**, a national banking association.

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18.

WITNESSETH:

A. Bank One, Illinois, NA, a national banking association ("Bank One"), has agreed to issue that certain Irrevocable Transferable Letter of Credit (the "Bank One LC") upon the terms of that certain Letter of Credit Agreement, of even date herewith, between Mortgagor and Bank One (as the same may be amended, modified, extended, replaced or restated, the "Credit Agreement") and Promissory Note, of even date herewith, executed by Mortgagor to the order of Bank One for the principal sum of \$32,854,795 (as the same may be amended, modified, extended, replaced or restated, the "Note"); and

B. LaSalle National Bank, a national banking association ("LaSalle"), has agreed to issue those two (2) certain Irrevocable Transferable Letters of Credit (collectively, the "LaSalle



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LCs") upon the terms of those two (2) certain Letter of Credit Agreements, of even date herewith, between The Ponds of Pembroke Limited Partnership, an Illinois limited partnership ("Pembroke") and LaSalle (as the same may be amended, modified, extended, replaced or restated, collectively, the "Pembroke Credit Agreements") and those two (2) Promissory Notes, of even date herewith, executed by Pembroke to the order of LaSalle for the respective principal sums of \$27,721,233 and \$6,138,904 (as the same may be amended, modified, extended, replaced or restated, collectively, the "Pembroke Notes"); and

C. As a condition to the issuance of the LaSalle LCs, Mortgagor has executed that certain Guaranty, of even date herewith (as the same may be amended, modified, extended, replaced or restated, the "Guaranty"), covering all present and future obligations of Pembroke to LaSalle, including, without limitation, such as may arise under the Pembroke Credit Agreements and the Pembroke Notes.

NOW, THEREFORE, in consideration of the Bank One LC and the LaSalle LCs, and any further financial accommodations that may be extended by Bank One or LaSalle to or for the account of Mortgagor or Pembroke with respect to or in connection with the Bank One LC and/or the LaSalle LCs, Mortgagor agrees with Mortgagee as follows:

1. DEFINITIONS AND TERMS

1.1 Definitions. The following words, terms and/or phrases shall have the meanings set forth thereafter and such meanings shall be applicable to the singular and plural form thereof, giving effect to the numerical difference; whenever the context so requires, the use of "it" in reference to Mortgagor shall mean Mortgagor as identified at the beginning of this Mortgage:

"And/or" shall mean one or the other or both, or any one or more or all, of the things or "Persons" (hereinafter defined) in connection with which the conjunction is used.

"Charges" shall mean all national, federal, state, county, city, municipal and/or other governmental (or any instrumentality, division, agency, body or department thereof) charges, impositions, levies, assessments and taxes (whether general, special or otherwise), water charges, sewer service charges, liens, claims or encumbrances upon and/or relating to the Mortgaged Property, Mortgagor's Liabilities shall have and/or Mortgagor's Obligations.

"Credit Agreement" shall have the definition ascribed to this term in the Preamble above.

"Documents" shall have the definition ascribed to this term in Section 2.3 below.

"Encumbrances" shall mean all liabilities, liens, claims, exceptions, easements, restrictions, security interests, Charges and all other types of encumbrances.

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"Equipment" shall mean all present and future apparatus, machinery, equipment, furniture, furnishings, vehicles, fixtures and articles of personal property of any and every kind and nature whatsoever owned by Mortgagor and used, attached to, installed or located in or on the Mortgaged Property, or required for use in or on or in connection with the Premises or the management, maintenance, operation or business thereof and all replacements thereof, substitutions therefor and accessions thereto, including, without limitation, any such item now or at any time or times hereafter situated on the Premises and used to supply or otherwise deliver heat, gas, air conditioning, water, light, electricity, power, plumbing, refrigeration, sprinkling, ventilation, mobility, communication, incineration, recreation, laundry service and all other related or other such services.

"Event of Default" shall have the definition ascribed to this term in Section 6.1 below.

"Financial Agreements" shall mean the Credit Agreement, the Note, the Pembroke Credit Agreements, the Pembroke Notes, the Guaranty, this Mortgage, and all further agreements, instruments and documents that may now or hereafter be executed by Mortgagor in connection with the foregoing with or in favor of Mortgagor, Bank One and/or LaSalle, and/or any of their successors and assigns.

"Leases" shall mean all present and future leases, agreements, tenancies, licenses and franchises of or from the Premises and/or the Equipment or in any way, manner or respect required, existing, used or usable in connection with the Premises and/or the Equipment or the management, maintenance, operation or business thereof, including, without limitation, that certain Lease Agreement between Mortgagor and Boulevard Bank dated September 1, 1993, and all amendments thereto, that certain Lease Agreement between Mortgagor and Georgia Plevritis dated September 1, 1993, and all amendments thereto, and that certain Service Agreement between Mortgagor and Holy Family Hospital dated February 26, 1993, and all amendments thereto, and all deposits of money as advance rent or for security under any or all of the Leases and all guaranties of lessees' performances thereunder.

"Mortgaged Property" shall mean all of Mortgagor's right, title and interest in, under and to (a) the Premises; (b) the Rents; (c) the Leases; (d) the Equipment (which shall be deemed to be a part of the Premises, whether physically attached thereto or not); (e) Mortgagor's interest in all present and future judgments, awards of damages and settlements made as a result or in lieu of any taking of the Premises, the Equipment and/or the Leases, or any part thereof, under the power of eminent domain, or for any damage (whether caused by such taking or otherwise) thereto; (f) Mortgagor's interest in all present and future insurance policies in force or effect insuring the Premises, the Rents, the Leases or the Equipment; and (g) all proceeds of each and every of the foregoing.

"Mortgagor's Liabilities" shall mean (a) the payment of any and all monies, including, without limitation, the payment, when due or declared due in accordance with the Credit Agreement, of the principal sum thereof and interest, fees and other charges, thereon now and/or hereafter owed or to become owing by Mortgagor to Mortgagee, Bank One and/or

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LaSalle under and/or pursuant to the terms and provisions of the Financing Agreements, including, without limitation, those evidenced by the Credit Agreement, the Note or the Guaranty; (b) the payment of any and all other debts, claims, obligations, demands, monies, liabilities and/or indebtedness (of any and every kind or nature) now and/or hereafter owing, arising, due or payable from Mortgagor to Mortgagee, Bank One and/or LaSalle under and/or pursuant to the terms and provisions of this Mortgage (including, without limitation, all advances made in accordance with this Mortgage to protect and preserve the value of the Mortgaged Property and the priority of Mortgagee's lien thereon); (c) the payment of any and all other obligations and liabilities of Mortgagor to Mortgagee, Bank One and/or LaSalle, including, without limitation, all debts, claims, obligations, demands, monies, liabilities and/or indebtedness (of any and every kind or nature) whether primary, secondary, direct, contingent, fixed or otherwise, now and/or from time to time hereafter owing, arising, due or payable, howsoever evidenced, created, incurred, acquired or owing, and however arising, under this Mortgage or the other Financing Agreements and (d) the payment of any and all other debts, claims, obligations, demands, monies, liabilities and/or indebtedness (of any and every kind or nature) now and/or hereafter owing, arising, due or payable from Pembroke to Mortgagee, Bank One and/or LaSalle under and/or pursuant to the terms of the Pembroke Notes, the Pembroke Credit Agreements and other applicable documents related thereto. Mortgagor's Liabilities shall include all future advances made by Mortgagee, Bank One and/or LaSalle, to Mortgagor pursuant to and in accordance with this Mortgage and the other Financing Agreements. Mortgagor's Liabilities shall not exceed \$130,000,000.

"Mortgagor's Obligations" shall mean the prompt, full and faithful performance, discharge, compliance and observance by Mortgagor of each and every term, condition, warranty, representation, agreement, undertaking, covenant and provision (other than Mortgagor's Liabilities) to be performed, discharged, observed or complied with by Mortgagor and contained in this Mortgage and/or in the other Financing Agreements.

"Premises" shall mean all of Mortgagor's estate, right, title and interest in all of the following described real estate, and situated, lying and being at 1615 Ellinwood Avenue, in the City of Des Plaines, County of Cook, State of Illinois, and legally described on Exhibit A attached hereto and made a part hereof, together with all buildings, improvements, tenements, easements, hereditaments and appurtenances now and/or at any time or times hereafter upon, belonging or otherwise appertaining to or situated on said real estate and all heretofore or hereafter acquired roads, alleys, streets and other public ways abutting said real estate, whether before or after vacation thereof.

"Rents" shall mean all present and future rents, issues, avails, profits and proceeds of or from the Premises, the Leases and/or the Equipment.

All other capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Credit Agreement.

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2. CONVEYANCE

2.1 Granting Clause. To secure the prompt and full payment by Mortgagor of Mortgagor's Liabilities and the prompt and complete performance by Mortgagor of Mortgagor's Obligations, Mortgagor hereby does warrant, grant, give, bargain, confirm, assign, pledge, set over, transfer, sell, convey, remise, release and otherwise mortgage to Mortgagee, its successors and assigns, forever, the Mortgaged Property for the purposes and uses set forth in this Mortgage; provided, nevertheless, that if Mortgagor or its successors or assigns, shall satisfy, discharge and otherwise pay to Mortgagee, its successors or assigns, in full, Mortgagor's Liabilities, then this Mortgage shall become null and void and shall be released as provided in Section 6.9 hereof.

2.2 Constitutes a Security Agreement. This Mortgage shall operate as and constitute a security agreement with respect to the portion of the Mortgaged Property constituting property or interests in property, whether real or personal, tangible or intangible, which are subject to the priority and perfection of security interest provisions of the Uniform Commercial Code or any similar and applicable law, statute, code or other governing body of law. Therefore, to secure the payment by Mortgagor of Mortgagor's Liabilities and the performance by Mortgagor of Mortgagor's Obligations, Mortgagor hereby grants to Mortgagee a security interest in the Mortgaged Property. From the date of its recording this Mortgage shall be effective as a Financing Statement filed as a fixture filing with respect to Mortgagor's interest in the Equipment and for this purpose the name and address of the debtor is the name and address of Mortgagor as set forth herein and the name and address of the secured party is the name and address of Mortgagee as set forth herein.

2.3 Documents. Mortgagor, promptly upon request by Mortgagee, at Mortgagor's sole expense, will make, execute and deliver and/or will cause to be made, executed and delivered to and/or for the benefit of Mortgagee, in form and substance reasonably acceptable to Mortgagee, all Documents that Mortgagee is advised are and/or reasonably deems necessary or appropriate to evidence, document or conclude the transactions described in and/or contemplated by this Mortgage or the other Financing Agreements or required to perfect or continue perfected, as valid Encumbrances, the Encumbrances granted herein or in the other Financing Agreements. "Documents" means any mortgage, deed of trust or similar instrument, assignment of leases, assignment of rents, note, security agreement, guaranty, financing statement, assignment of insurance, loss payable clause, mortgage title insurance policy, letter of opinion, waiver letter, estoppel letter, consent letter, non-offset letter, insurance certificate, appraisal, survey and any other similar such agreements, instruments or documents.

3. COVENANTS, WARRANTIES AND REPRESENTATIONS

3.1 Covenants, Warranties and Representations. Mortgagor covenants with and warrants and represents to Mortgagee as follows:

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(a) Mortgagor promptly will pay, or cause to be paid, when due or declared due, Mortgagor's Liabilities and promptly, fully and faithfully will perform, discharge, observe and comply with each and every of Mortgagor's Obligations.

(b) Mortgagor now has and hereafter shall maintain the standing, right, power and lawful authority to own the Mortgaged Property, to carry on the business of and operate the Mortgaged Property, to enter into, execute and deliver this Mortgage and the other Financing Agreements to Mortgagee, to encumber the Mortgaged Property to Mortgagee as provided herein or in the other Financing Agreements and to perform all of Mortgagor's Obligations and to consummate all of the transactions described in or contemplated by this Mortgage and the other Financing Agreements.

(c) The Mortgaged Property as of the Closing Date consists of and is in the same condition, ordinary wear and tear excepted, as it was when Mortgagee last inspected it.

(d) Mortgagor and the Mortgaged Property possess and hold and shall maintain adequate properties, interests in properties, leases, licenses, franchises, rights and governmental and other permits, certificates, consents and approvals reasonably necessary to conduct and operate the business of the Mortgaged Property unless the failure to possess and hold any such properties, interests in properties, leases, licenses, franchises, rights and governmental and other permits, certificates, consents and approvals could not reasonably be expected to have a material adverse effect upon the Mortgaged Property or the business or financial condition of Mortgagor.

(e) The location, existence and use of the Premises and the Equipment are and shall remain in compliance with all applicable laws, rules, ordinances and regulations, including, without limitation, building and zoning laws, and all covenants and restrictions of record, the breach of which would have a material adverse effect upon the Mortgaged Property or the business or financial condition of Mortgagor.

(f) Mortgagor is and shall remain in peaceful possession of and will forever warrant and defend the Mortgaged Property from and against any and all claims thereon or thereto of any and all parties.

3.2 Title. Mortgagor covenants with and warrants and represents to Mortgagee that: Mortgagor is lawfully seized, possessed and the owner of and has good and indefeasible, marketable title to the Mortgaged Property, free and clear of all Encumbrances except (a) the Encumbrances of Mortgagee, (b) existing Leases to tenants in possession of portions of the Premises and (c) the Permitted Exceptions.

3.3 Property. Mortgagor covenants with and warrants and represents to Mortgagee as follows:

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(a) Mortgagor will not change the general use (to a non senior and assisted living use) or character of or abandon the Mortgaged Property and at all times hereafter shall keep the Mortgaged Property in good condition and repair and will not commit or suffer waste and will make all necessary repairs, replacements and renewals (including the replacement of any items of the Equipment) to the Mortgaged Property, ordinary wear and tear excepted, so that the value and operating efficiency thereof shall at all times hereafter be maintained and preserved. Except for the removal and replacement of obsolete equipment in its ordinary course of business, Mortgagor shall not remove any fixture or demolish any building or improvement located in or on the Premises without the prior written consent of Mortgagee. Mortgagor shall pay for and complete, within a reasonable time, any building or improvement at any time in the process of erection upon the Premises, shall refrain from impairing or diminishing the value of the Mortgaged Property and shall make no material alterations to the Mortgaged Property which in the reasonable opinion of Mortgagee diminishes its value, and promptly shall repair, restore or rebuild any building or improvement now or hereafter on the Premises which may become damaged or destroyed to the extent that the failure to so repair, restore or rebuild would have a material adverse effect on the value of the Mortgaged Property. Mortgagor shall comply with all requirements of law and all municipal ordinances governing the Mortgaged Property and the use thereof a breach of which would have a material adverse effect upon the Mortgaged Property or the business or financial condition of Mortgagor, except where Mortgagor is contesting an alleged breach in good faith and by proper proceedings and for which Mortgagor is maintaining adequate reserves in accordance with GAAP.

(b) Mortgagor promptly shall pay and discharge, as and when due and payable, before any penalty attaches, all Charges that may be at any time levied, assessed or imposed upon or against the Mortgaged Property, or any part thereof, and, upon Mortgagee's request therefor, shall deliver to Mortgagee duplicate receipts evidencing payment thereof before delinquency. To prevent default hereunder, Mortgagor may pay in full, under protest, and in the manner provided by statute, any Charge which Mortgagor may desire to contest. If Mortgagee is required by legislative enactment or judicial decision to pay any Charge in or to any state, municipality or government on the Mortgaged Property (or on any interest therein), this Mortgage, the other Financing Agreements or Mortgagor's Liabilities, all of Mortgagor's Liabilities shall become and be due and payable, at the election of Mortgagee, thirty (30) days after the mailing of notice of such election to Mortgagor unless paid by Mortgagor; provided, however, said election and right to elect will be unavailing and this Mortgage and the other Financing Agreements will be and remain in full force and effect as though said law had not been enacted or said decision had not been rendered if, notwithstanding such law or decision, (i) Mortgagor is diligently contesting such Charge in good faith and by appropriate proceedings, or (ii) Mortgagor lawfully may pay within thirty (30) days after written demand by Mortgagee with copy of such notice such Charge to or for Mortgagee and does, in fact, pay, when payable, so much thereof as, taken with interest as aforesaid, does not exceed the maximum amount of interest permitted by applicable law. If at any time the United States of America shall require internal revenue stamps to be

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affixed to this Mortgage or the other Financing Agreements, Mortgagor will pay for the same, together with any interest or penalties imposed in connection therewith, within thirty (30) days after written demand by Mortgagee with copy of such notice.

(c) Mortgagor shall keep the Mortgaged Property free and clear of all Encumbrances of any and every kind and nature except those described in Section 3.2 above and shall promptly pay or cause to be paid, as and when due and payable or when declared due and payable, any indebtedness which may become or be secured by such an Encumbrance and, immediately upon request by Mortgagee, shall deliver to Mortgagee evidence satisfactory to Mortgagee of the payment and discharge thereof; provided, however, that Mortgagor may contest such Encumbrances in good faith and by proper proceedings so long as Mortgagor maintains adequate reserves with respect thereto in accordance with GAAP or, if requested by Mortgagee, posts a bond in an amount sufficient to pay such Encumbrances or such other amount reasonably requested by Mortgagee or provides Mortgagee with other security reasonably satisfactory to Mortgagee. If, in accordance with the terms of this Mortgage, Mortgagee makes payment of any such Encumbrance, Mortgagee shall be subrogated to the rights of such claimant, notwithstanding that the Encumbrance may be released of record.

(d) Except for the Permitted Exceptions and the other Encumbrances permitted under Section 3.2 hereof, Mortgagor shall not, at any time or times hereafter, pledge, hypothecate or otherwise encumber all or any portion of the Mortgaged Property or Mortgagor's interest therein. Without the prior written consent of Mortgagee, Mortgagor shall not sell or otherwise transfer all or any portion of the Mortgaged Property or Mortgagor's interest therein.

(e) All present and future items of fixtures, equipment, furnishings or other tangible personal property of Mortgagor related or necessary to or used or usable in connection with any present or future building or improvement on the Premises, or the operation or business thereof, are and will be owned free and clear of all Encumbrances except those described in Section 3.2 above and Mortgagor will not acquire any such property subject to any Encumbrance except those Encumbrances described in Section 3.2 above. Within ten (10) days after written request by Mortgagee, Mortgagor will execute and deliver to Mortgagee an additional security agreement and financing statement, in form and substance acceptable to Mortgagee, covering all such property.

3.4 Good Condition. If Mortgagor, immediately after written demand from Mortgagee and upon the expiration of any applicable cure or grace period as herein provided, shall neglect or refuse to keep the Mortgaged Property in good operating condition and repair or to replace or maintain the same as herein agreed, to pay the premiums for the insurance which is required to be maintained hereunder, to pay and discharge all Encumbrances as herein agreed or otherwise defaults in the performance of Mortgagor's Obligations, Mortgagee, at its sole election, may, upon the giving of written notice to Mortgagor and Mortgagor's failure to take action to cure such failure within thirty (30) days, cause such repairs or replacements to be made, obtain such insurance, pay such Encumbrances or perform such Obligations. Any

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amounts paid by Mortgagee in taking such action (together with interest thereon at the applicable rate set forth in the Financing Agreements) from the date of Mortgagee's payment thereof until repaid by Mortgagor to Mortgagee, shall be due and payable by Mortgagor to Mortgagee upon demand, and, until paid, shall constitute a part of Mortgagor's Liabilities secured by this Mortgage. Notwithstanding the foregoing, such advances by Mortgagee shall not be deemed to relieve Mortgagor from any Event of Default hereunder or impair any right or remedy consequent thereon. The exercise of the right to take such action shall be optional with Mortgagee and not obligatory upon Mortgagee and Mortgagee shall not in any case be liable to Mortgagor for failure or refusal to exercise any such right. In making any payments pursuant to the exercise of any such right, Mortgagee may rely upon any bills delivered to it by Mortgagor or any such payee and shall not be liable for any failure to make payments in any amounts other than as set forth in any such bills.

INSURANCE, TAXES AND CONDEMNATION

4.1 Insurance.

(a) Mortgagor, at all times, shall keep and maintain the Mortgaged Property fully insured (without co-insurance) against loss or damage by, or abatement of rental income resulting from, fire and such other hazards, casualties and contingencies as Mortgagee, from time to time, may reasonably require with companies and in form, amounts and for such periods as are reasonably satisfactory to Mortgagee, but, in any event, for not less than the greater of the full insurable value or the full replacement value of the Mortgaged Property. All such policies and renewals thereof shall contain, in form and substance reasonably acceptable to Mortgagee, standard mortgagee loss payable clauses naming Mortgagee as "First Mortgagee," as well as a standard waiver of subrogation endorsement and certificates therefor shall be delivered, as issued, to Mortgagee, with premiums therefor paid in full by Mortgagor. All policies shall provide that they are non-cancelable by the insurer without first giving at least thirty (30) days prior written notice to Mortgagee of any intended cancellation. Mortgagor will give immediate written notice to Mortgagee of any loss or damage in excess of \$100,000 to the Mortgaged Property caused by any casualty. In case of policies about to expire, Mortgagor will deliver to Mortgagee certificates reflecting renewal policies prior to the respective dates of expiration. Mortgagor will deliver to Mortgagee evidence of the payment of the premiums on all policies and renewals thereof. In the event of foreclosure of this Mortgage or assignment hereof by Mortgagee or transfer of title to the Mortgaged Property in extinguishment of Mortgagor's Liabilities, all right, title and interest of Mortgagor in and to any policies then in force shall pass to the purchaser, grantee or assignee.

(b) (i) Full power is hereby conferred on Mortgagee at any time with respect to any casualty or claim in excess of \$100,000, or, after the occurrence and during the continuance of an Event of Default, with respect to all casualties and claims in any amount:

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(A) to demand, receive and receipt for all monies becoming due and/or payable under all policies; and

(B) to assign all policies to any holder of Mortgagor's Liabilities or to the grantee of the Mortgaged Property in the event of the foreclosure of this Mortgage or other transfer of title to the Mortgaged Property.

(ii) In the event of payment under any of the policies, the proceeds of the policies shall be paid by the insurer to Mortgagee and Mortgagee, in its sole and absolute discretion, at any time with respect to any casualty or claim in excess of \$100,000, or, after the occurrence and during the continuance of an Event of Default, with respect to all casualties and claims in any amount, may:

(A) apply such proceeds, wholly or partially, after deducting all costs of collection, including reasonable attorneys' fees, either:

(1) toward the alteration, reconstruction, repair or restoration of the Mortgaged Property or any portion thereof; or

(2) if an Event of Default has occurred and is continuing, or Mortgagee reasonably determines that the insurance proceeds are insufficient to reconstruct, repair or restore the Mortgaged Property to a condition satisfactory to Mortgagee, as a payment on account of Mortgagor's Liabilities (without affecting the amount or time of subsequent payments required to be made to Mortgagee under the other Financing Agreements), whether or not then due or payable; or

(B) deliver the same to Mortgagor.

4.2 Escrows. After the occurrence of an Event of Default and upon Mortgagee's request therefor, Mortgagor shall establish escrow accounts for deposit of funds for the payment of all Charges required to be paid hereunder and for the payment of insurance premiums for all insurance policies required to be obtained and maintained by Mortgagor pursuant to this Mortgage. Such escrow accounts shall be in such amount and shall be subject to such terms and conditions as Mortgagee, in its sole discretion, may determine.

4.3 Eminent Domain.

(a) All awards now or hereafter made by any public or quasi-public authority to or for the benefit of Mortgagor in any way, manner or respect affecting, arising from or relating to the Mortgaged Property, or any portion thereof, by virtue of an exercise of the right of eminent domain by such authority (including, without limitation, any award for taking of title, possession or right of access to a public way, or for any change

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of grade of streets affecting the Mortgaged Property) hereby are assigned to Mortgagee as additional security for the payment of Mortgagor's Liabilities (and for such purpose, Mortgagor hereby grants to Mortgagee a security interest therein).

(b) Mortgagee shall and hereby is authorized, directed and empowered, at any time with respect to any claim for awards in connection with a condemnation in excess of \$100,000, or, after the occurrence and during the continuance of an Event of Default, with respect to all claims in any amount, to collect and receive the proceeds of any such awards from the authorities making the same and to give proper receipts therefor (in Mortgagor's name, in Mortgagee's name or in both names), and may, in its sole and absolute discretion, use such proceeds for any one or more of the following purposes:

(i) if an Event of Default has occurred and is continuing, or Mortgagee reasonably determines that the proceeds of the award are insufficient to replace, repair or restore the Mortgaged Property to a condition satisfactory to Mortgagee, apply the same, or any part thereof, to Mortgagor's Liabilities, whether or not then matured and without affecting the amount or time of subsequent payments required to be made to Mortgagee under the other Financing Agreements;

(ii) use the same, or any part thereof, to satisfy, perform or discharge any of Mortgagor's Obligations;

(iii) make the same, or any part thereof, available to Mortgagor to replace, repair or restore any or all of the Mortgaged Property to a condition reasonably satisfactory to Mortgagee; or

(iv) release the same to Mortgagor.

(c) Subject to the terms of Section 4.3(b) above, Mortgagor, immediately upon request by Mortgagee, shall make, execute and deliver and/or cause to be made, executed and delivered to and/or for the benefit of Mortgagee any and all assignments and other instruments sufficient to assign, and cause the payment directly to Mortgagee of, all such awards, free and clear of all Encumbrances except those Encumbrances described in Section 3.2 above. Notwithstanding any taking by eminent domain, alteration of the grade of any street or other injury to or decrease in value of the Mortgaged Property by any public or quasi-public authority or corporation, Mortgagor shall continue to pay all of Mortgagor's Liabilities, as and when due and payable, until any such award or payment shall have been actually received by Mortgagee, and except as provided hereunder, any reduction in Mortgagor's Liabilities resulting from the application by Mortgagee of such award or payment as herein set forth shall be deemed to take effect only on the date of such receipt. If, prior to the receipt by Mortgagee of such award or payment, the Mortgaged Property shall have been sold on foreclosure of this Mortgage, Mortgagee shall have the right to receive such award or payment to the extent of any deficiency found to be due upon such sale, with legal interest thereon, whether or not a

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deficiency judgment on this Mortgage shall have been sought or recovered or denied, and of the reasonable attorneys' fees, costs, expenses and disbursements incurred by Mortgagee in connection with the collection of such award or payment.

5. LEASES AND RENTS

5.1 Rents. So long as there shall not have occurred an Event of Default which is then continued under this Mortgage, Mortgagor shall have the right to collect all of the Rents arising from the Leases, or renewals thereof.

6. DEFAULT

6.1 Events of Default. Any "Event of Default" as defined in the Credit Agreement shall constitute an Event of Default hereunder.

6.2 Remedies. Upon the occurrence of an Event of Default, without notice to or demand of Mortgagor, all of Mortgagor's Liabilities may, at Mortgagee's option, become immediately due and payable; provided, however, that in the case of an Event of Default described in Section 6.1(f) of the Credit Agreement, all of Mortgagor's Liabilities shall become immediately due and payable, and Mortgagee, in its sole discretion and at its sole election, without notice of such election, and without demand, may do any one or more of the following:

(a) Collect Mortgagor's Liabilities at once by foreclosure or otherwise (and in case of such Event of Default and the exercise of such option, Mortgagor's Liabilities shall bear interest, from the date of such Event of Default, at the applicable rate set forth in the Financing Agreements).

(b) In accordance with applicable law, enter upon and take immediate possession of the Mortgaged Property, expel and remove any persons, goods or chattels occupying or upon the same, receive all Rents, and issue receipts therefor, manage, control and operate the Mortgaged Property as fully as Mortgagor might do if in possession thereof, including, without limitation, the making of all repairs and replacements deemed necessary by Mortgagee and the leasing of the same, or any part thereof, from time to time, and, after deducting all reasonable attorneys' fees and all costs and expenses incurred in the protection, care, maintenance, management and operation of the Mortgaged Property, apply the remaining net income, if any, to Mortgagor's Liabilities or upon any deficiency decree entered in any foreclosure proceeding. At the option of Mortgagee, such entry and taking of possession shall be accomplished either by actual entry and possession or by written notice served personally upon or sent by registered mail to Mortgagor at the address of Mortgagor last appearing on the records of Mortgagee. Mortgagor agrees to surrender possession of the Mortgaged Property to Mortgagee immediately upon the occurrence of an Event of Default. This covenant shall

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be effective irrespective of whether any foreclosure proceeding shall have been instituted and irrespective of any application for, or appointment of, a receiver.

(c) File one or more suits at law or in equity for the foreclosure of this Mortgage or to collect Mortgagor's Liabilities. In the event of the commencement of any such suit by Mortgagee, Mortgagee shall have the right, either before or after sale, without notice and without requiring bond (notice and bond being hereby waived), without regard to the solvency or insolvency of Mortgagor at the time of application and without regard to the then value of the Mortgaged Property or whether the same is then occupied, to make application for and obtain the appointment of a receiver for the Mortgaged Property. Such receiver shall have the power to collect the Rents during the pendency of such suit and, in case of a sale and a deficiency, during the full statutory period of redemption or not, as well as during any further times when Mortgagor, except for the intervention of such receiver, would be entitled to collect the Rents, and shall have all other powers which may be necessary or usual in such cases for the protection, possession, control, management and operation of the Mortgaged Property. The court before which such suit is pending may from time to time authorize the receiver to apply the net income in his hands in payment, in whole or in part, of Mortgagor's Liabilities. In case of a sale pursuant to foreclosure, the Premises may be sold as one parcel.

(d) In the event of the commencement of any suit by Mortgagee to foreclose this Mortgage, Mortgagee shall have the right to apply to the court in which such proceedings are pending for entry of an order placing Mortgagee in possession of the Mortgaged Property. In the event an order is entered placing Mortgagee in possession of the Mortgaged Property, Mortgagee may thereupon enter upon and take immediate possession of the Mortgaged Property, expel and remove any Persons, goods or chattels occupying or upon the same, receive all Rents, and issue receipts therefor, manage, control and operate the Mortgaged Property, including, without limitation, make all repairs and replacements deemed reasonably necessary by Mortgagee and lease the same, or any part thereof, from time to time, and, after deducting all reasonable attorneys' fees and all costs and expenses incurred in the protection, care, maintenance, management and operation of the Mortgaged Property, apply the remaining net income, if any, to Mortgagor's Liabilities or upon any deficiency decree entered in such foreclosure proceedings. At the option of Mortgagee, such entry and taking of possession shall be accomplished either by actual entry and possession or by written notice of entry of the order placing Mortgagee in possession served personally upon or sent by registered mail to Mortgagor at the address of Mortgagor last appearing on the records of Mortgagee. If Mortgagor shall remain in physical possession of the Mortgaged Property after entry of an order placing Mortgagee in possession.

6.3 Costs of Default. Upon the occurrence of an Event of Default under this Mortgage, there will be added to and included as part of Mortgagor's Liabilities (and allowed in any decree for sale of the Mortgaged Property or in any judgment rendered upon this Mortgage or the other Financing Agreements) the following: all of the reasonable costs and expenses of taking possession of the Mortgaged Property and of the holding, using, leasing,

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maintaining, repairing, improving and selling the same, including, without limitation, the reasonable costs, charges, expenses and attorneys' fees specified in Section 6.4 below; reasonable receivers' fees; any and all expenditures which may be paid or incurred by or on behalf of Mortgagee for appraisers' fees, documentary and expert evidence, stenographers' charges, publication costs, fees and expenses for examination of title, title searches, guaranty policies, Torrens certificates and similar data and assurances with respect to the title to the Mortgaged Property; all prepayment or like premiums, if any, provided for in the other Financing Agreements; and all other fees, costs and expenses which Mortgagee deems necessary to prosecute any remedy it has under this Mortgage, or to inform bidders at any sale which may be had pursuant to its rights hereunder, of the true condition of title or of the value of the Mortgaged Property. All such costs, charges, expenses, fees and other expenditures shall be a part of Mortgagor's Liabilities, secured by this Mortgage, payable on demand and shall bear interest at the applicable rate set forth in the Financing Agreements from the date of Mortgagee's payment thereof until repaid to Mortgagee.

6.4 Costs of Foreclosure. If foreclosure proceedings are instituted upon this Mortgage, or if Mortgagee shall be a party to, shall intervene, or file any petition, answer, motion or other pleading in any suit or proceeding relating to this Mortgage, the other Financing Agreements or Mortgagor's Liabilities, such expenses and all of Mortgagee's reasonable attorneys' fees shall be part of Mortgagor's Liabilities, secured by this Mortgage, payable on demand and shall bear interest at the applicable rate set forth in the Financing Agreements from the date of Mortgagee's payment thereof until repaid to Mortgagee.

6.5 Proceeds of Foreclosure. Subject to applicable law, the proceeds of any foreclosure sale of the Mortgaged Property shall be applied and distributed, first, on account of the fees, charges, costs and expenses described in Section 6.3 above, second, to the balance of Mortgagor's Liabilities, and third, the surplus, if any, to Mortgagor.

6.6 Judicial Foreclosure. In the event of the commencement of judicial proceedings to foreclose this Mortgage, Mortgagor, on behalf of itself, its successors and assigns, and each and every Person it may legally bind acquiring any interest in or title to the Mortgaged Property subsequent to the date of this Mortgage: (a) does hereby expressly waive any and all rights of appraisal, valuation, stay extension and (to the extent permitted by law) redemption from sale under any order or decree of foreclosure of this Mortgage; and (b) does hereby agree that when sale is had under any decree of foreclosure of this Mortgage, upon confirmation of such sale, the master in chancery or other officer making such sale, or his successor in office, shall be and is authorized immediately to execute and deliver to any purchaser at such sale a deed conveying the Mortgaged Property, showing the amount paid therefor, or if purchased by the Person in whose favor the order or decree is entered, the amount of his bid therefor.

6.7 Other Remedies. Mortgagee shall have the right from time to time to sue for any sums, whether interest, principal or any other sums required to be paid by or for the account of Mortgagor under the terms of this Mortgage or the other Financing Agreements, as the same become due thereunder, or for any other of Mortgagor's Liabilities which shall become due, and without prejudice to the right of Mortgagee thereafter to bring an action of foreclosure, or any

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other action, for a default or defaults by Mortgagor existing at the time such earlier action was commenced.

6.8 Remedies Not Exclusive. No right or remedy of Mortgagee hereunder is exclusive of any other right or remedy hereunder or now or hereafter existing at law or in equity, but is cumulative and in addition thereto and Mortgagee may recover judgment thereon, issue execution therefor, and resort to every other right or remedy available at law or in equity, without first exhausting or affecting or impairing the security or any right or remedy afforded by this Mortgage. No delay in exercising, or omission to exercise, any such right or remedy will impair any such right or remedy or will be construed to be a waiver of any Event of Default by Mortgagor hereunder, or acquiescence therein, nor will it affect any subsequent Event of Default hereunder by Mortgagor of the same or different nature. Every such right or remedy may be exercised independently or concurrently, and when and so often as may be deemed expedient by Mortgagee. No terms or conditions contained in this Mortgage or the other Financing Agreements may be waived, altered or changed except as evidenced in writing signed by Mortgagor and Mortgagee.

6.9 Release. Mortgagor shall release this Mortgage by proper instrument upon payment and discharge of all of Mortgagor's Liabilities.

6.10 Strict Performance. Any failure of Mortgagee to insist upon the strict performance by Mortgagor of any of the terms and provisions of this Mortgage or the other Financing Agreements shall not be deemed to be a waiver of any of the terms and provisions thereof, and Mortgagee, notwithstanding any such failure, shall have the right at any time or times thereafter to insist upon the strict performance by Mortgagor of any and all of the terms and provisions thereof to be performed by Mortgagor. Neither Mortgagor nor any other Person now or hereafter obligated for the payment of the whole or any part of Mortgagor's Liabilities, shall be relieved of such obligation by reason of the sale, conveyance or other transfer of the Mortgaged Property or the failure of Mortgagee to comply with any request of Mortgagor, or of any other Person, to take action to foreclose this Mortgage or otherwise enforce any of the provisions of this Mortgage or the other Financing Agreements, or by reason of the release, regardless of consideration, of the whole or any part of the security held for Mortgagor's Liabilities, or by reason of any agreement or stipulation between any subsequent owner or owners of the Mortgaged Property and Mortgagee extending the time of payment of Mortgagor's Liabilities or modifying the terms of the other Financing Agreements or this Mortgage without first having obtained the consent of Mortgagor or such other Person, and, in the latter event, Mortgagor, and all such other Persons, shall continue to be liable on account of Mortgagor's Liabilities and to make such payments according to the terms of any such agreement, extension or modification unless expressly released and discharged in writing by Mortgagee. Mortgagee, without notice, may release, regardless of consideration, any part of the security held for Mortgagor's Liabilities, without, as to the remainder of the security therefor, in any way impairing or affecting the lien of this Mortgage or the priority of such lien over any subordinate lien. Mortgagee may resort for the payment of Mortgagor's Liabilities to any other security therefor held by Mortgagee in such order and manner as Mortgagee may elect.

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7. MISCELLANEOUS

7.1 **Notice.** Every provision for notice, demand or request required in this Mortgage or by applicable law shall be deemed fulfilled by written notice, demand or request given in the manner and at the addresses specified in the Credit Agreement.

7.2 **Covenants Run with Land; Time of the Essence.** All the covenants contained in this Mortgage will run with the land. Time is of the essence of this Mortgage and all provisions herein relating thereto shall be strictly construed.

7.3 **Successors and Assigns.** This Mortgage, and all the provisions hereof, will be binding upon and inure to the benefit of the successors and assigns of Mortgagor and Mortgagee.

7.4 **Governing Law.** This Mortgage was executed and delivered in, and shall be governed as to validity, interpretation, construction, effect and in all other respects by the internal laws and decisions of the State of Illinois.

7.5 **Severability.** Any provision of this Mortgage which is unenforceable in any state in which this Mortgage may be filed or recorded or is invalid or contrary to the law of such state, or the inclusion of which would affect the validity, legality or enforcement of this Mortgage, shall be of no effect, and in such case all the remaining terms and provisions of this Mortgage shall subsist and be fully effective according to the tenor of this Mortgage, the same as though no such invalid portion had ever been included herein.

7.6 **Subrogation.** To the extent that any of Mortgagor's Liabilities represent funds utilized to satisfy any outstanding indebtedness or obligations secured by liens, rights or claims against the Mortgaged Property or any part thereof, Mortgagee shall be subrogated to any and all liens, rights, superior titles and equities owned or claimed by the holder of any such outstanding indebtedness or obligation so satisfied, however remote, regardless of whether said liens, rights, superior title and equities are by the holder(s) thereof assigned to Mortgagee or released.

7.7 **No Personal Recourse to Mortgagor's Partners.** No personal deficiency judgment or any other judgment shall be asserted or enforced against any partner of Mortgagor for payment of any amount hereunder or for observance or performance of any of the obligations of Mortgagor contained herein, except as provided in the Brookdale Guaranty, the Joint and Several Environmental Indemnification Agreement, or any other agreement, instrument or document executed by such partner in connection herewith, and provided that the foregoing shall not affect the liability which any of Mortgagor's partners may have for any fraud, misappropriation of funds or intentional misrepresentation made hereunder by or on behalf of Mortgagor or in connection with the transactions contemplated hereby.

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IN WITNESS WHEREOF, this Mortgage has been duly executed and delivered as of the day and year first above written.

MORTGAGOR:

RIVER OAKS PARTNERS, an Illinois general partnership

By: **Brookdale Holdings, Inc.**, a Delaware corporation, its managing general partner

By: 
Darryl W. Copeland, Jr.
Executive Vice President

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STATE OF ILLINOIS)
) SS.
COUNTY OF COOK)

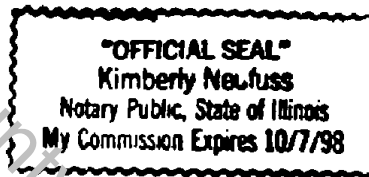
I, Kimberly Neufuss, a Notary Public in and for said County, in the State aforesaid, do hereby certify that on May 6, 1997, Darryl W. Copeland, Jr., personally known to me to be the Executive Vice President of **BROOKDALE HOLDINGS, INC.**, a Delaware corporation and managing general partner of River Oaks Partners, an Illinois general partnership, and personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person and acknowledged that he signed and delivered the said instrument on behalf of the aforesaid company, pursuant to due power and authority conferred by its Board of Directors, as his free and voluntary act and as the free and voluntary act of said company.

GIVEN under my hand and Notarial Seal this 6th day of May, 1997.

Kimberly Neufuss
Notary Public

My commission expires:

10-7-98



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**EXHIBIT A TO MORTGAGE, ASSIGNMENT
OF LEASES AND RENTS AND SECURITY AGREEMENT
DATED AS OF May 1, 1997**

Legal Description

PARCEL 1:

THE NORTHERLY 150 FEET OF LOT 106 IN ORIGINAL TOWN OF RAND (NOW DES PLAINES), BEING A SUBDIVISION OF SECTIONS 16, 17, 20 AND 21, TOWNSHIP 41 NORTH, RANGE 12 EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS.

PARCEL 2:

LOTS 107, 108, 109, 110 AND 111 (EXCEPT THAT PART OF SAID LOTS TAKEN FOR THE OPENING OF PRAIRIE AVENUE AND ALSO EXCEPT THAT PART OF SAID LOT 111 LYING SOUTH OF PRAIRIE AVENUE AS OPENED), IN ORIGINAL TOWN OF RAND (NOW DES PLAINES), BEING A SUBDIVISION OF SECTIONS 16, 17, 20 AND 21, TOWNSHIP 41 NORTH, RANGE 12 EAST OF THIRD PRINCIPAL MERIDIAN AND ALSO EXCEPT THAT PART THEREOF DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTHEASTERLY CORNER OF SAID LOT 109; THENCE SOUTH 08 DEGREES 39 MINUTES 51 SECONDS EAST ALONG THE EAST LINE OF SAID LOTS 109, 110 AND 111, 230.00 FEET; THENCE NORTH 55 DEGREES 34 MINUTES 59 SECONDS WEST (MEASURED NORTH 55 DEGREES 32 MINUTES 28 SECONDS WEST) ALONG A LINE PARALLEL WITH THE NORTHEASTERLY LINE OF SAID LOT 109, 23.28 FEET (MEASURED 23.29 FEET) TO AN INTERSECTION WITH A LINE 17.00 FEET, AS MEASURED AT RIGHT ANGLES, WESTERLY OF AND PARALLEL WITH THE EASTERLY LINE OF SAID LOTS 109 AND 110; THENCE NORTH 08 DEGREES 39 MINUTES 51 SECONDS WEST ALONG SAID LAST DESCRIBED PARALLEL LINE, 230.00 FEET TO AN INTERSECTION WITH THE NORTHEASTERLY LINE OF SAID LOT 109; THENCE SOUTH 55 DEGREES 34 MINUTES 59 SECONDS EAST (MEASURED SOUTH 55 DEGREES 32 MINUTES 28 SECONDS EAST) ALONG THE NORTHEASTERLY LINE OF SAID LOT 109, 23.28 FEET (MEASURE 23.29 FEET) TO THE PLACE OF BEGINNING, ALL IN ORIGINAL TOWN OF RAND (NOW DES PLAINES), BEING A SUBDIVISION OF SECTIONS 16, 17, 20 AND 21, TOWNSHIP 41 NORTH, RANGE 12, EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS.

ALSO EXCEPTING THAT PART OF LOTS 110 AND 111 DESCRIBED AS FOLLOWS:

COMMENCING AT THE NORTHEASTERLY CORNER OF LOT 109; THENCE SOUTH 08 DEGREES, 39 MINUTES, 51 SECONDS EAST, ALONG THE EAST LINE OF LOTS 109, 110 AND 111, 230.00 FEET TO THE POINT OF BEGINNING; THENCE CONTINUING SOUTH 08 DEGREES, 39 MINUTES, 51 SECONDS EAST, 75.98 FEET TO

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THE NORTH LINE OF PRAIRIE AVENUE PER DOCUMENT 12785378; THENCE SOUTH 89 DEGREES, 59 MINUTES, 59 SECONDS WEST 17.20 FEET ALONG THE NORTH LINE OF PRAIRIE AVENUE TO A LINE 17 FEET WESTERLY OF AND PARALLEL WITH THE EASTERLY LINE OF SAID LOTS 110 AND 111; THENCE NORTH 08 DEGREES, 39 MINUTES, 51 SECONDS WEST, 89.31 FEET ALONG SAID PARALLEL LINE TO A POINT 230 FEET SOUTH OF THE NORTHEASTERLY LINE OF SAID LOT 109 IN THE ORIGINAL TOWN OF RAND (AS MEASURED ALONG SAID PARALLEL LINE); THENCE SOUTH 55 DEGREES, 34 MINUTES, 59 SECONDS EAST (MEASURED SOUTH 55 DEGREES, 32 MINUTES, 28 SECONDS EAST) 23.28 FEET (MEASURED 23.29 FEET) TO THE POINT OF BEGINNING.

PARCEL 3.

THE SOUTHEASTERLY 8.0 FEET OF LOT 100 (EXCEPT THE NORTHEASTERLY 150 FEET THEREOF) AND LOTS 101 THROUGH 106 BOTH INCLUSIVE (EXCEPT THAT PART OF SAID LOTS TAKEN FOR THE OPENING OF PRAIRIE AVENUE AS RECORDED OCTOBER 30, 1941 BY DOCUMENT NUMBER 12785378) ALSO (EXCEPT THE NORTHEASTERLY 150.00 FEET OF LOTS 101, 102, 103, 104, AND 106) ALL IN THE ORIGINAL TOWN OF RAND (NOW DES PLAINES) BEING A SUBDIVISION OF SECTIONS 16, 17, 20 AND 21, TOWNSHIP 41 NORTH, RANGE 12, EAST OF THE THIRD PRINCIPAL MERIDIAN. IN COOK COUNTY, ILLINOIS.

Address:

1615 Ellinwood Avenue
Des Plaines, Illinois

Property Identification No.: 09-17-421-038

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