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Cook County Recorder 63.50



Prepared by and when recorded mail to:
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Stroock & Stroock & Lavan LLP
100 Federal Street
Boston, Massachusetts 02110

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OPEN-END LEASEHOLD MORTGAGE
(2665 North Halsted Street, Chicago, Illinois)

The maximum amount of the indebtedness secured hereby shall not exceed \$25,000,000.
The latest maturity date of the indebtedness secured hereby is January 29, 2002.

THIS LEASEHOLD MORTGAGE AND SECURITY AGREEMENT (hereinafter referred to as this "Security Deed") is made and entered into as of this 29th day of January, 1999, by **Chernin's Shoes, Inc.**, a Delaware corporation, having a principal place of business at 1001 South Clinton Street, Chicago, Illinois 60607, as grantor or mortgagor (hereinafter referred to as "Borrower"), to **BankBoston Retail Finance Inc.**, a Delaware corporation, as grantee or mortgagee (hereinafter referred to as "Lender"), having an address of 40 Broad Street, Boston, Massachusetts 02109.

WITNESSETH:

THAT FOR AND IN CONSIDERATION OF TEN AND NO/100 DOLLARS (\$10.00) AND OTHER GOOD AND VALUABLE CONSIDERATIONS, the receipt and sufficiency whereof are hereby acknowledged by Borrower, and in order to secure the Secured Obligations (as hereinafter defined), Borrower does hereby grant, bargain, sell, transfer, assign, mortgage and convey unto Lender, and its successors and assigns, with MORTGAGE COVENANTS, all of the following described property (hereinafter singly and collectively referred to as the "Property"):

(a) All rights, title and interest of Borrower created by, or arising under that certain lease dated as of November 22, 1991, by and between Halsted-Schubert Associates, an Illinois general partnership, and North Halsted Street Associates, an Illinois general partnership, as landlord/lessor, and Harris Chernin, Inc. (predecessor-in-interest by merger to Chernin's Shoes, Inc.) as lessee, as amended by a First Amendment to Lease dated September 1, 1994 and as further amended by a Second Amendment to Lease dated June 13, 1995 (the "Lease") (including, without limitation, all purchase options therein contained, if any), as evidenced by a Memorandum of Lease recorded in the Cook County, Illinois Recorder of Deeds on October 14, 1998 as document number 98919780, which Lease conveys an estate in that certain tracts or parcels of land located in Chicago, Cook County, Illinois, more particularly described in Exhibit A attached hereto and by this reference made a part hereof, together with all right, title and interest of Borrower, including any after-acquired title or reversion, in and to the rights-of-ways, streets, and alleys adjacent thereto, and all easements, rights-of-way, licenses, operating agreements, strips and gores of land, vaults, streets, ways, alleys, passages, sewers, sewer rights, waters, water courses, water rights and powers, oil, gas and other minerals, flowers, shrubs, crops, trees, timber and other emblements now or hereafter located on the land or under or above same, and all estates, rights, titles, interests, privileges, liberties, tenements, hereditaments and appurtenances whatsoever, in any way belonging, relating to or appertaining to said tract or parcel of land or any part thereof, or which hereafter shall in any way belong, relate or be appurtenant thereto, whether now owned or hereafter acquired by Borrower and the reversion and reversions, remainder and remainders, and all the estate, right, title, interest, property, possession, claim and demand whatsoever at law, as well as in equity, of Borrower of, in and to the same (hereinafter referred to as the "Land"); and

(b) Any interest in any fee, greater or lesser title to the Property that Borrower may own or hereafter acquire (whether acquired pursuant to a right or option contained in the Lease or otherwise) and all credits, deposits, options, privileges and rights of Borrower under the Lease (including all rights of use, occupancy and enjoyment) and under any amendments, supplements, extensions, renewals, restatements, replacements and modifications thereof (including, without limitation, (i) the right to give consents, (ii) the right to receive moneys payable to Borrower, (iii) the right, if any, to renew or extend the Lease for succeeding term or terms, (iv) the right, if any, to purchase the Land and (v) the right to terminate or modify the Lease); all of Borrower's claims and rights to the payment of damages arising under the federal bankruptcy code from any rejection of the Lease by the lessor thereunder or by any other party; and

(c) All right, title and interest of Borrower in and to all buildings, structures, parking areas, landscaping, and other improvements of every nature now or hereafter situated, erected or placed on the Land (hereinafter referred to as the "Improvements"); and

(d) All right, title and interest of Borrower in and to all fixtures, machinery, equipment, furniture, inventory, building supplies, appliances, and other articles of personal property and all materials intended for construction, reconstruction, alteration and repairs of the

Improvements, including, but not limited to, all gas and electric fixtures, radiators, heaters, furnaces, engines and machinery, boilers, ranges, ovens, elevators and motors, bathtubs, sinks, commodes, basins, pipes, faucets and other plumbing, heating and air conditioning equipment, mirrors, refrigerating plant, refrigerators, iceboxes, dishwashers, carpeting, floor coverings, furniture, light fixtures, signs, lawn equipment, water heaters, and cooking apparatus and appurtenances, and all other fixtures and equipment now or hereafter owned by Borrower and located in, on or about, or used or intended to be used with or in connection with the maintenance, repair, use, operation, or enjoyment of the Land or the Improvements, whether installed in such a way as to become a part thereof or not, including all extensions, additions, improvements, betterments, renewals and replacements of any of the foregoing and all the right, title and interest of Borrower in and to any of the foregoing, now owned or hereafter acquired by Borrower, all of which are hereby declared and shall be deemed to be fixtures and accessions to the freehold and a part of the Improvements as between the parties hereto and all persons claiming by, through or under them (hereinafter referred to as the "Tangible Property"); and

(e) All right, title and interest of Borrower in and to all funds held by the Lender in any reserve replacement account, deferred maintenance account, or in any account established for taxes or insurance payments, all policies of insurance, licenses, franchises, permits, service contracts, maintenance contracts, property management agreements, equipment leases, tradenames, trademarks, servicemarks, logos, goodwill, accounts, investment property, chattel paper and general intangibles as defined in the Uniform Commercial Code as enacted in the State of Illinois (hereinafter referred to as the "UCC"), which in any way now or hereafter belong, relate or appertain to the Land, the Improvements or the Tangible Property or any part thereof now owned or hereafter acquired by Borrower, including, without limitation, all condemnation payments, insurance proceeds, tax abatements, and escrow funds (hereinafter referred to as the "Intangible Property"); and

(f) All present and future leases, tenancies, occupancies and licenses, whether written or oral of the Land, the Improvements, the Tangible Property and the Intangible Property, or any combination or part thereof (hereinafter referred to as the "Leases"), and all income, rents, issues, royalties, profits, revenues, security deposits and other benefits of the Land, the Improvements, the Tangible Property and the Intangible Property, from time to time accruing, all payments under Leases, and all payments on account of oil and gas and other mineral Leases, working interests, production payments, royalties, overriding royalties, rents, delay rents, operating interests, participating interests and other such entitlements, and all the estate, right, title, interest, property, possession, claim and demand whatsoever at law, as well as in equity, of Borrower of, in and to the same (hereinafter referred to as the "Revenues"); and

(g) All proceeds, products, substitutions and accessions of the foregoing of every type.

TO HAVE AND TO HOLD the Property and all parts, rights, members and appurtenances thereof, to the use, benefit and behoof of Lender and the successors and assigns of Lender, forever; and Borrower covenants that Borrower is lawfully seized and possessed of the Property and holds marketable leasehold title to the same and has good right to convey the Property and that the conveyances in this Security Deed are subject to only those covenants, conditions and restrictions of record as of the date hereof (hereinafter referred to as the "Permitted Encumbrances"). Except for the Permitted Encumbrances, Borrower does warrant and will forever defend the title to the Property against the claims of all persons whomsoever.

This Security Deed is intended to constitute: (i) a mortgage deed, (ii) a security agreement and fixture filing financing statement under the UCC, and (iii) a notice of assignment of rents or profits. This Security Deed is also intended to operate and be construed as an absolute present assignment of the rents, issues and profits of the Property, Borrower hereby agreeing that Lender is entitled to receive the rents, issues and profits of the Property prior to an Event of Default (as hereinafter defined) and without entering upon or taking possession of the Property.

This Security Deed is given to secure the payment and performance of the following described indebtedness and obligations (hereinafter referred to as the "Secured Obligations"):

- (a) the debt evidenced by that certain Revolving Credit Note, of even date herewith, from Borrower payable to the order of the Lender in the original principal face amount of Thirteen Million Five Hundred Thousand Dollars (\$13,500,000), as the same may be renewed, amended, extended or consolidated (the "Revolving Note");
- (b) The debt evidenced by that certain Term Note, of even date herewith, from Borrower payable to the order of the Lender in the original principal face amount of Seven Hundred Sixty-five Thousand Dollars (\$765,000), as the same may be renewed, amended, extended or consolidated (the "Term Note") (the Revolving Note and Term Note are hereinafter together referred to as the "Notes");
- (c) The full and prompt payment and performance of all of the provisions, agreements, covenants and obligations contained in that certain Loan and Security Agreement (hereinafter referred to as the "Loan Agreement") of even date herewith between Borrower and Lender (the Notes, the Loan Agreement, this Security Deed and all other agreements, documents and instruments executed by Borrower and delivered to Lender in connection therewith are hereinafter collectively referred to as the "Loan Documents");
- (d) Any and all additional advances made by Lender to protect or preserve the Property or the security interest created hereby on the Property, or for taxes, assessments or insurance premiums as hereinafter provided or for performance of any of Borrower's obligations hereunder or under the other Loan Documents or for any other purpose provided herein or in the other Loan Documents (whether or not the original Borrower remains the owner of the Property at the time of such advances); and

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(e) Any and all other indebtedness, which may now or hereafter be due and owing from Borrower to Lender, now existing or hereafter coming into existence, however and whenever incurred or evidenced, whether expressed or implied, direct or indirect, absolute or contingent, or due or to become due, and all renewals, modifications, consolidations and extensions thereof.

Borrower hereby further covenants and agrees with Lender as follows:

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1. Forbearance Not Waiver. Any forbearance by Lender in exercising any right or remedy hereunder, or otherwise afforded by applicable law, shall not be a waiver of or preclude the exercise of any right or remedy hereunder. The procurement of insurance or the payment of taxes or other liens or charges by Lender shall not be a waiver of Lender's right to accelerate the maturity of the Secured Obligations.

2. Leases and Revenues.

(a) As part of the consideration for the Secured Obligations, Borrower has absolutely and unconditionally assigned and transferred to Lender all of Borrower's right, title and interest in and to the Leases and the Revenues, including those now due, past due or to become due by virtue of any lease for the occupancy or use of all or any part of the Property.

(b) Borrower agrees that neither the foregoing assignment of Leases and Revenues, nor the exercise of any of Lender's rights and remedies hereunder shall be deemed to make Lender a mortgagee-in-possession or otherwise responsible or liable in any manner with respect to the Leases, the Property or the use, occupancy, enjoyment or operation of all or any portion thereof, unless and until Lender, in person or by agent, assumes actual possession thereof; nor shall the appointment of any receiver for the Property by any court at the request of Lender or by agreement with Borrower, or the entering into possession of any part of the Property by such receiver, be deemed to make Lender a mortgagee-in-possession or otherwise responsible or liable in any manner with respect to the Leases, the Property or the use, occupancy, enjoyment or operation of all or any portion thereof.

(c) If Lender or a court-appointed receiver enters upon, takes possession of and maintains control of the Property pursuant to Paragraph 6 hereof, all Revenues thereafter collected shall be applied first to the costs of taking control of and managing the Property and collecting the Revenues, including, but not limited to, reasonable attorneys' fees actually incurred, receiver's fees, premiums on receiver's bonds, costs of repairs to the Property, premiums on insurance policies, and other charges on the Property, and the costs of discharging any obligation or liability of Borrower as landlord, lessor or licensor of the Property and then to the Secured Obligations. Lender or the receiver shall have access to the books and records used in the operation and maintenance of the Property and shall be liable to account only for those Revenues actually received. Lender shall not be liable to Borrower, anyone claiming under or through Borrower or anyone having an

interest in the Property by reason of anything done or left undone by Lender pursuant to Paragraph 6 hereof. If the Revenues are not sufficient to meet the costs of taking control of and managing the Property and collecting the Revenues, any monies expended by Lender for such purposes shall become a portion of the Secured Obligations. Unless Lender and Borrower agree in writing to other terms of payment, such amounts shall be payable upon notice from Lender to Borrower requesting payment thereof and shall bear interest from the date of disbursement at the default rate for the Term Note as provided in the Loan Agreement, unless payment of interest at such rate would be contrary to applicable law, in which event such amounts shall bear interest at the highest rate which may be collected from Borrower under applicable law. The entering upon and taking possession of and maintaining of control of the Property by Lender or the receiver pursuant to Paragraph 6 hereof and the application of Revenues as provided herein shall not cure or waive any Event of Default (as hereinafter defined) or invalidate any other right or remedy of Lender hereunder.

3. Leases of the Property. Borrower will not amend, supplement or otherwise modify, or terminate or cancel, or accept the surrender of, or assign or sublet, or consent to the assignment or subletting of, or grant any concessions to or waive the performance of any obligations of any tenant, lessee, lessor or licensee under, any now existing or future lease of the Property, without the prior written consent of Lender, which consent shall not be unreasonably withheld.

4. Remedies Cumulative. All remedies provided in this Security Deed are distinct and cumulative to any other right or remedy under this Security Deed or under the other Loan Documents or afforded by law or equity, and may be exercised concurrently, independently or successively.

5. Events of Default and Acceleration. The term "Event of Default," wherever used in this Security Deed, shall mean any one or more of the following conditions or events:

(a) Failure by Borrower to pay as and when due and payable any real estate taxes applicable to the Land and continuance of such failure for a period of five (5) days after written notice thereof from Lender; or

(b) Failure by Borrower at any time to maintain in full force and effect insurance in form and content consistent with the provisions of the Loan Agreement; or

(c) The occurrence of any "Event of Default" as defined in the Loan Agreement or any of the other Loan Documents; or

(d) The occurrence of any default under the Lease entitling the lessor thereunder to terminate the Lease that is not waived by the lessor.

If an Event of Default shall have occurred, Lender may, at Lender's option, by notice to Borrower declare the entire Secured Obligations to be immediately due and payable, whereupon the same shall become immediately due and payable, and without presentment, protest, demand or other

notice of any kind, all of which are hereby expressly waived by Borrower; provided, however, the Borrower acknowledges that as to certain Events of Default, as set forth in the Loan Agreement, the Secured Obligations automatically shall become and be immediately due and payable, without any declaration or other act on the part of Lender. No omission on the part of Lender to exercise such option when entitled to do so shall be construed as a waiver of such right.

6. Rights and Remedies.

(a) Remedies. Upon the occurrence of any Event of Default, and whether or not Lender shall have accelerated the maturity of the Secured Obligations pursuant to Paragraph 5 hereof, Lender, at its option, may:

(i) either with or without entering upon or taking possession of any or all of the Property, demand, collect and receive any or all Revenues;

(ii) either with or without entering upon or taking possession of the Property, and without assuming any obligations of Borrower thereunder, exercise the rights of Borrower under, use or benefit from, any of the Leases or Intangible Property;

(iii) in person, by agent or by court-appointed receiver, enter upon, take possession of, and maintain full control of any or all of the Property in order to perform all acts necessary or appropriate to maintain and operate the Property, including, but not limited to, the execution, cancellation or modification of Leases, the making of repairs to the Property and the execution or termination of contracts providing for the management or maintenance of the Property, all on such terms as Lender, in its sole discretion, deems proper or appropriate;

(iv) proceed by a suit or suits in law or in equity or by other appropriate proceeding to enforce payment of the Notes or the performance of any term, covenant, condition or agreement of this Security Deed or the Loan Agreement or any of the other Loan Documents, or any other right, and to pursue any other remedy available to it, all as Lender shall determine most effectual for such purposes;

(v) institute and maintain such suits and proceedings as Lender may reasonably deem expedient to prevent any impairment of the Property by any acts which may be unlawful or in violation of this Security Deed, to preserve or protect its interest in the Property and the Revenues, and to restrain the enforcement of or compliance with any legislation or other governmental enactment, rule or order that would impair the security hereunder or be prejudicial to the interest of Lender;

(vi) apply all or any portion of the Property, or the proceeds thereof, towards (but not necessarily in complete satisfaction of) the Secured Obligations;

(vii) foreclose any and all rights of Borrower in and to the Property, whether by sale, entry or in any other manner provided for hereunder or under the laws of the State of Illinois;

(viii) in the case of any receivership, insolvency, bankruptcy, reorganization, arrangement, adjustment, composition or other proceedings affecting Borrower or the creditors or property of Borrower, Lender, to the extent permitted by law, shall be entitled to file such proofs of claim and other documents as may be necessary or advisable in order to have the claims of Lender allowed in such proceedings for the entire amount of the Secured Obligations at the date of the institution of such proceedings and for any additional portion of the Secured Obligations accruing after such date;

(ix) exercise any other right or remedy of a mortgagee or secured party under the laws of the State of Illinois.

(b) Receiver. If an Event of Default shall have occurred, Lender, upon application to a court of competent jurisdiction, shall be entitled, as a matter of strict right without notice and without regard to the occupancy or value of any security for the Secured Obligations or the solvency of any party bound for its payment, to the appointment of a receiver to take possession of and to operate the Property and to collect and apply the Revenues. The receiver shall have all of the rights and powers permitted under the laws of the State of Illinois. Borrower will pay to Lender upon demand, all reasonable expenses, including receiver's fees, reasonable attorneys' fees, costs and agent's compensation, incurred pursuant to such appointment and all such expenses shall be a portion of the Secured Obligations.

(c) Sale or Other Disposition of Property. Lender may purchase the Property, or any portion of it, at any sale held under this Paragraph 6. Borrower waives any right to require the marshaling of any of its assets in connection with any disposition conducted pursuant hereto. In the event all or part of the Property is included at any foreclosure sale conducted pursuant hereto, a single total price for the Property, or such part thereof as is sold, may be accepted by Lender with no obligation to distinguish between the application of such proceeds amongst the property comprising the Property. If Lender purchases the rights, title and interest of Borrower in and to the Property at any foreclosure sale conducted pursuant hereto, Lender may thereafter transfer and assign to a third party its rights, title and interest in and to the Property thereby acquired.

(d) Collection of Revenues. In connection with the exercise by Lender of the rights and remedies provided for in subparagraph (a)(i) of this Paragraph 6:

(i) Lender may notify any tenant, lessee or licensee of the Property, either in the name of Lender or Borrower, to make payment of Revenues directly to Lender or Lender's agents, may advise any person of Lender's interest in and to the Revenues, and may collect directly from such tenants, lessees and licensees all amounts due on account of the Revenues;

(ii) At Lender's request, Borrower will provide written notification to any or all tenants, lessees and licensees of the Property concerning Lender's interest in the Revenues and will request that such tenants, lessees and licensees forward payment thereof directly to Lender;

(iii) Borrower shall hold any proceeds and collections of any of the Revenues in trust for Lender and shall not commingle such proceeds or collections with any other funds of Borrower; and

(iv) Borrower shall deliver all such proceeds to Lender immediately upon the receipt thereof by Borrower in the identical form received, but duly endorsed or assigned on behalf of Borrower to Lender.

(e) Use and Occupation of Property. In connection with the exercise of Lender's rights under Subparagraph (a)(iii) of this Paragraph 6, Lender may enter upon, occupy, and use all or any part of the Property and may exclude Borrower from the Land and the Improvements or portion thereof as may have been so entered upon, occupied, or used. Lender shall not be required to remove any Tangible Property from the Land and the Improvements upon Lender's taking possession thereof, and may render any Tangible Property unusable to Borrower.

(f) Partial Sales. Borrower agrees that in case Lender, in the exercise of the power of sale contained herein or in the exercise of any other rights hereunder given, elects to sell in parts or parcels, said sales may be held from time to time and that the power shall not be exhausted until all of the Property not previously sold shall have been sold, notwithstanding that the proceeds of such sales exceed, or may exceed, the Secured Obligations.

(g) Power of Attorney. Upon the occurrence of any Event of Default, Borrower hereby irrevocably constitutes and appoints Lender as Borrower's true and lawful attorney-in-fact to take any action with respect to the Property to preserve, protect, or realize upon Lender's interest therein, each at the sole risk, cost and expense of Borrower, but for the sole benefit of Lender. The rights and powers granted Lender by the within appointment include, but are not limited to, the right and power to: (i) prosecute, defend, compromise, settle, or release any action relating to the Property; (ii) endorse the name of Borrower in favor of Lender upon any and all checks or other items constituting Revenues; (iii) sign and file or record on behalf of Borrower any financing or other statement in order to perfect or protect Lender's security interest; (iv) enter into leases or subleases relative to all or a portion of the Land or the Improvements; (v) enter into any

contracts or agreements relative to, and to take all action deemed necessary in connection with, the construction of any Improvements on the Land; (vi) manage, operate, maintain, or repair the Land and the Improvements; and (vii) exercise the rights of Borrower under any Leases or with respect to Intangible Property and Tangible Property. Lender shall not be obligated to perform any of such acts or to exercise any of such powers, but if Lender elects so to perform or exercise, Lender shall not be accountable for more than it actually receives as a result of such exercise of power, and shall not be responsible to Borrower except for Lender's willful misconduct or gross negligence. All powers conferred upon Lender by this Security Deed, being coupled with an interest, shall be irrevocable until terminated by a written instrument executed by a duly authorized officer of Lender.

7. Notices. Any and all notices, demands, elections or requests provided for or permitted to be given pursuant to this Security Deed shall be given or served as provided in the Loan Agreement.

8. Successors and Assigns Bound; Captions. The covenants and agreements herein contained shall bind, and the rights hereunder shall inure to, the respective successors and assigns of Lender and Borrower. The captions and headings of the paragraphs of this Security Deed are for convenience only and are not to be used to interpret or define the provisions hereof.

9. Governing Law; Severability. This Security Deed and the obligations of Borrower hereunder shall be governed by and interpreted and determined in accordance with the laws of the State of Illinois. In the event that any provision or clause of this Security Deed or the Notes conflicts with applicable law, such conflict shall not affect other provisions of this Security Deed or the Notes which can be given effect without the conflicting provision, and to this end, the provisions of this Security Deed and the Notes are declared to be severable. In the event that any applicable law limiting the amount of interest or other charges permitted to be collected from Borrower is interpreted so that any charge for which provision is made in this Security Deed or in the Notes, whether considered separately or together with other charges permitted to be collected from Borrower, is interpreted so that any such charge, whether considered separately or together with other charges that are considered a part of the transaction represented by this Security Deed and the Notes, violates such law, and Borrower is entitled to the benefit of such law, such charge is hereby reduced to the extent necessary to eliminate such violation. The amounts, if any, previously paid to Lender in excess of the amounts payable to Lender pursuant to such charges as reduced shall be applied by Lender to reduce the principal of the indebtedness evidenced by the Notes.

10. Discharge. Upon payment and performance of the Secured Obligations, Lender shall discharge this Security Deed. Borrower shall pay Lender's reasonable costs incurred in discharging this Security Deed.

11. Waivers. Borrower agrees to the full extent permitted by law, that in case of an Event of Default hereunder, neither Borrower nor anyone claiming through or under Borrower shall or will set up, claim or seek to take advantage of any appraisal, valuation, stay, extension,

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homestead, exemption or redemption laws now or hereafter in force, in order to prevent or hinder the enforcement or foreclosure of this Security Deed, or the absolute sale of the Property, or the final and absolute putting into possession thereof, immediately after such sale, of the purchasers thereat, and Borrower, for Borrower and all who may at any time claim through or under Borrower, hereby waives to the fullest extent that Borrower may lawfully so do, the benefit of all such laws, and any and all right to have the assets comprised in the security intended to be created hereby marshalled upon any foreclosure of the lien hereof. No delay or omission of Lender or of any holder of the Notes to exercise any right, power or remedy accruing upon any Event of Default shall exhaust or impair any such right, power or remedy or shall be construed to be a waiver of any such default, or acquiescence therein; and every right, power and remedy given by this Security Deed to Lender may be exercised from time to time and as often as may be deemed expedient by Lender. No consent or waiver, expressed or implied, by Lender to or of any Event of Default shall be deemed or construed to be a consent or waiver to or of any other Event of Default. Failure on the part of Lender to complain of any act or failure to act which constitutes an Event of Default, irrespective of how long such failure continues, shall not constitute a waiver by Lender of Lender's rights hereunder or impair any rights, powers or remedies consequent on any Event of Default. No act or omission of Lender shall preclude Lender from exercising any right, power or privilege herein granted or intended to be granted in the event of any Event of Default then made or of any subsequent Event of Default; nor, except as otherwise expressly provided in an instrument or instruments executed by Lender, shall the lien of this Security Deed be altered thereby. In the event of the sale or transfer by operation of law or otherwise of all or any part of the Property, Lender, without notice, is hereby authorized and empowered to deal with any such vendee or transferee with reference to the Property or the Secured Obligations or with reference to any of the terms, covenants, conditions or agreements hereof, as fully and to the same extent as it might deal with the original parties hereto and without in any way releasing or discharging any liabilities, obligations or undertakings.

12. Further Assurances. At any time and from time to time, upon request by Lender, Borrower will make, execute and deliver, or cause to be made, executed and delivered, to Lender and, where appropriate, cause to be recorded and/or filed and from time to time thereafter to be re-recorded and/or refiled at such time and in such offices and places as shall be reasonably deemed desirable by Lender, any and all such other and further assignments, mortgages, security agreements, financing statements, continuation statements, instruments of further assurance, certificates and other documents as may, in the opinion of Lender, be necessary or desirable in order to effectuate, complete, or perfect, or to continue and preserve (a) the obligations of Borrower under this Security Deed, and (b) the lien and security interest created by this Security Deed upon the Property. Upon any failure by Borrower so to do, Lender may make, execute, record, file, re-record and/or refile any and all such assignments, mortgages, security agreements, financing statements, continuation statements, instruments, certificates, and documents for and in the name of Borrower, and Borrower hereby irrevocably appoints Lender the agent and attorney-in-fact of Borrower so to do.

13. Subrogation. Lender shall be subrogated to all right, title, lien or equity of all persons to whom Lender may have paid any monies in settlement of liens, charges or assessments, or in

acquisition of title or for its benefit hereunder, or for the benefit or account of Borrower upon execution of the Notes or subsequently paid under any provisions hereof.

14. Time of the Essence. Time is of the essence with respect to each and every covenant, agreement and obligation of Borrower under this Security Deed, the Notes and any and all other Loan Documents.

15. Indemnification; Subrogation; Waiver of Offset.

(a) Borrower shall indemnify, defend and hold Lender harmless against: (i) any and all claims for brokerage, leasing, finders or similar fees which may be made relating to the Property or the Secured Obligations, and (ii) any and all liability, obligations, losses, damages, penalties, claims, actions, suits, costs and expenses (including Lender's reasonable attorneys' fees, together with reasonable appellate counsel fees, if any) of whatever kind or nature which may be asserted against, imposed on or incurred by Lender in connection with the Secured Obligations, this Security Deed, the Loan Documents, the Property, or any part thereof, or the exercise by Lender of any rights or remedies granted to it under this Security Deed or the other Loan Documents; provided, however, that nothing herein shall be construed to obligate Borrower to indemnify, defend and hold harmless Lender from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs and expenses enacted against, imposed on or incurred by Lender by reason of Lender's willful misconduct or gross negligence.

(b) If Lender is made a party defendant to any litigation or any claim is threatened or brought against Lender concerning the Secured Obligations, this Security Deed, the Loan Documents, the Property, or any part thereof, or any interest therein, or the construction, maintenance, operation or occupancy or use thereof, then Borrower shall indemnify, defend and hold Lender harmless from and against all liability by reason of said litigation or claims, including reasonable attorneys' fees (together with reasonable appellate counsel fees, if any) and expenses incurred by Lender in any such litigation or claim, whether or not any such litigation or claim is prosecuted to judgment. If Lender commences an action against Borrower to enforce any of the terms hereof or to prosecute any breach by Borrower of any of the terms hereof or to recover any sum secured hereby, Borrower shall pay to Lender its reasonable attorneys' fees (together with reasonable appellate counsel, fees, if any) and expenses. The right to such attorneys' fees (together with reasonable appellate counsel fees, if any) and expenses shall be deemed to have accrued on the commencement of such action, and shall be enforceable whether or not such action is prosecuted to judgment. If Borrower breaches any term of this Security Deed, Lender may engage the services of an attorney or attorneys to protect its rights hereunder, and in the event of such engagement following any breach by Borrower, Borrower shall pay Lender reasonable attorneys' fees (together with reasonable appellate counsel fees, if any) and expenses incurred by Lender, whether or not an action is actually commenced against Borrower by reason of such breach. All references to "attorneys" in this Subparagraph and elsewhere in this Security Deed shall include without limitation any attorney or law firm engaged by Lender and Lender's in-house counsel, and all references to "fees and

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expenses" in this Subparagraph and elsewhere in this Security Deed shall include without limitation any fees of such attorney or law firm and any allocation charges and allocation costs of Lender's in-house counsel.

(c) A waiver of subrogation shall be obtained by Borrower from its insurance carrier and, consequently, Borrower waives any and all right to claim or recover against Lender, its officers, employees, agents and representatives, for loss of or damage to Borrower, the Property, Borrower's property or the property of others under Borrower's control from any cause insured against or required to be insured against by the provisions of this Security Deed.

(d) All sums payable by Borrower hereunder shall be paid without notice (except as may otherwise be provided herein), demand, counterclaim, setoff, deduction or defense and without abatement, suspension, deferment, diminution or reduction, and the obligations and liabilities of Borrower hereunder shall in no way be released, discharged or otherwise affected by reason of: (i) any damage to or destruction of or any condemnation or similar taking of the Property or any part thereof; (ii) any restriction or prevention of or interference with any use of the Property or any part thereof; (iii) any title defect or encumbrance or any eviction from the Land or the Improvements on the Land or any part thereof by title paramount or otherwise; (iv) any bankruptcy, insolvency, reorganization, composition, adjustment, dissolution, liquidation, or other like proceeding relating to Lender, or any action taken with respect to this Security Deed by any trustee or receiver of Lender, or by any court, in such proceeding; (v) any claim which Borrower has, or might have, against Lender; (vi) any default or failure on the part of Lender to perform or comply with any of the terms hereof or of any other agreement with Borrower; or (vii) any other occurrence whatsoever, whether similar or dissimilar to the foregoing, whether or not Borrower shall have notice or knowledge of any of the foregoing. Borrower waives all rights now or hereafter conferred by statute or otherwise to any abatement, suspension, deferment, diminution, or reduction of any sum secured hereby and payable by Borrower.

16. Open-End Mortgage Provisions – Future Advances – Maximum Principal Amount. In addition to any other sum secured hereby, this Security Deed shall also secure the unpaid principal balance of, plus accrued interest on, any amount of money loaned, advanced, disbursed or paid by Lender to or for the account and benefit of Borrower after this Security Deed is delivered to and filed with the Recorder's Office of the county in Illinois where the Property is located, for recording (herein called a "Future Advance"). Any such Future Advance is to be made by Lender pursuant to the terms of the Revolving Note, and is to be evidenced by the Revolving Note. The maximum amount of the principal sum which is evidenced and secured by the Notes and this Security Deed, exclusive of interest, penalties, charges, attorney's fees and costs of collection; and which may be unpaid and outstanding at any time is \$14,265,000, such principal sum representing the amount disbursed on the date hereof and the amount of all such Future Advances, but exclusive of any sums advanced as provided in Paragraph 17 hereof. All Future Advances are intended to, and shall, have priority from the date this Security Deed is recorded.

17. Certain Advances. In addition to any other sum secured hereby, this Security Deed shall also secure the unpaid principal balance, plus accrued interest thereon, of any advance made or any amount paid by Lender, after this Security Deed is delivered to and filed for recording with the Recorder's Office of the county in Illinois where the Property is located, in order to pay any real estate taxes, assessments, insurance premiums or other costs and expenses incurred by Lender in connection with the operation, protection or preservation of the Property as provided in other provisions of this Security Deed.

18. Governing Law; Jurisdiction. This Security Deed shall take effect as a contract executed under seal and shall be interpreted in accordance with and governed by the laws of the State of Illinois (other than its rules governing choice or conflicts of laws). Each party signing this Security Deed submits to personal jurisdiction in the State of Illinois and waives any and all rights to object to such jurisdiction. Each such party agrees that service of process may be made and personal jurisdiction obtained by serving Borrower in the manner provided in the Loan Agreement.

19. Lender's Lien. Borrower agrees with Lender, that Lender may, at its option, do all things provided or permitted to be done by a Lender under the Illinois Compiled Statutes, and any amendments thereto, for the protection of Lender's interest in the Property.

20. Additional Leasehold Mortgage Provisions.

(a) Borrower shall at all times fully perform and comply with all the agreements, covenants, terms and conditions imposed upon the tenant under the Lease, and if Borrower shall fail so to do, Lender may (but shall not be obligated to) take any action Lender reasonably deems necessary or desirable to prevent or cure any default thereunder including, without limitation, performance of any of the tenant's covenants or obligations under the Lease. Upon Lender's request, Borrower will submit satisfactory evidence of payment of all of its monetary obligations under the Lease (including but not limited to rents, taxes, assessments, insurance premiums and operating expenses).

(b) Upon receipt by Lender from the landlord under the Lease of any written notice of default by Borrower or any other party as tenant thereunder, Lender may rely thereon and take such action as aforesaid to cure such default even though the existence of such default or the nature thereof be questioned or denied by Borrower or by any party on behalf of Borrower, unless Borrower provides Lender with evidence confirming the non-existence of or waiver of such default, or that Borrower is taking appropriate steps to remedy such default, or if contested, that Borrower has taken appropriate measures (such as obtaining stays or injunctive relief) to protect its and Lender's interests under the Lease. Lender may pay and expend such sums of money as Lender in its reasonable discretion deems necessary for any such purpose, and Borrower hereby agrees to pay to Lender, immediately and without demand, all such sums so paid and expended by Lender, together with interest thereon from the date of such payment at the default rate for the Term Note as provided in the Loan Agreement. All sums so paid and expended

by Lender, and the interest thereon, shall be added to and be secured by the lien of this Security Deed.

(c) Borrower shall not surrender its leasehold estate and its interest created under the Lease, nor terminate or cancel the Lease without the prior written consent of the Lender. Any attempted surrender, termination or cancellation by Borrower shall be null and void and of no force or effect.

(d) If there shall be filed by or against Borrower a petition under the Bankruptcy Code (as defined in the Loan Agreement), Borrower, as tenant under the Lease, or any trustee appointed by the bankruptcy court in such proceedings, shall immediately (but in no event more than one (1) day after the filing of such petition) notify Lender in writing of Borrower's or the trustee's intent, as the case may be, to assume or reject the Lease pursuant to Section 365(a) of the Bankruptcy Code. If the intent of Borrower or such trustee is to reject the Lease or to take no action under such Section 365(a), and Borrower has received notification from Lender that, if such is the case, Lender desires an assignment of the Lease, then:

(i) Borrower (or Lender upon Borrower's failure to do so promptly) shall file, prior to the expiration of the period provided in Section 365(d)(4) of the Bankruptcy Code, a motion with the bankruptcy court to assume and assign the Lease to Lender; and

(ii) Borrower shall bear the burden of establishing with the bankruptcy court that Lender can perform as required by Sections 365(b) and (f) of the Bankruptcy Code.

(e) If Lender has notified Borrower of its intent to assume the Lease, Borrower shall not seek to reject the Lease but shall forthwith (and in all events before the expiration of all applicable time periods for such assumption and assignment) obtain consent from the bankruptcy court to assume and assign the Lease for the purposes of this paragraph. Borrower agrees that Lender may at any time apply to the bankruptcy court for an extension of any time period for the assumption of the Lease by Borrower and that the protection of Lender's security interest in the Lease shall be deemed sufficient cause for such extension and Borrower shall not oppose any application by Lender for such extension. Borrower agrees that, if for any reason the Lease is rejected pursuant to the provisions of Section 365 of the Bankruptcy Code, Borrower will not take the position that such rejection is a termination of the Lease.

(f) No release or forbearance of any of Borrower's obligations under the Lease, pursuant to the Lease or otherwise, including, without limitation, Borrower's obligations with respect to the payment of rent as provided for in the Lease and the performance of all the terms, provisions, covenants, conditions and agreements contained in the Lease to be kept, performed or complied with by tenant therein, shall release Borrower from any of Borrower's obligations under this Security Deed. The lien of this Security Deed

attaches to all of Borrower's rights and remedies at any time arising under or pursuant to Subsection 365(h) of the Bankruptcy Code, including, without limitation, all of Borrower's rights to remain in possession of the Property.

(g) If the landlord under the Lease rejects the Lease pursuant to the Bankruptcy Code, Borrower agrees that it will not elect to treat the Lease as terminated but will elect to remain in possession of the leasehold interest as provided in 11 U. S. C. § 365(h)(1)(A)(ii), make lease payments subject to allowable setoffs under 11 U. S. C. § 365(h) and retain its rights under the Lease.

(h) Unless Lender shall otherwise expressly consent in writing, the title to the Property demised by the Lease and the leasehold estate therein contained shall not merge but shall always remain separate and distinct, notwithstanding the union of the fee title and the leasehold estate by purchase or otherwise, in the landlord under the Lease, or the tenant, or in any other party in the event Borrower acquires the fee title or any other estate, title or interest in the Property demised under the Lease or any part thereof, the lien of this Security Deed, without further act, deed, conveyance or deed of trust on behalf of Borrower shall attach to, cover and be a lien upon such acquired estate, title or interest, and such interest shall thereupon be and become a part of the security encumbered by this Security Deed with the same force and effect as if specifically encumbered in this Security Deed and in the event thereof, upon request of Lender without cost or expense to Lender, Borrower will execute, acknowledge and deliver all such further acts, conveyances, deeds, deeds of trust, and assurances as Lender shall reasonably require to ratify and confirm Lender's lien on the acquired estate, title or interest.

(i) Borrower shall advise Lender in writing of the giving of any notice to Borrower by the landlord under the Lease of any default by Borrower as tenant thereunder in the performance or observance of any of the terms, conditions and covenants to be performed or observed by the tenant thereunder and to deliver to Lender a true copy of each such notice.

(j) If the Lease is canceled or terminated, and Lender or its nominee shall acquire an interest in any new lease of the Property demised thereby, Borrower shall have no right, title or interest in or to the new lease or to the leasehold estate created by such new lease.

(k) If any action, proceeding, motion or notice shall be commenced or filed in respect of the landlord under the Lease or the leasehold estate under the Lease in connection with any case (including a case commenced or filed under the Bankruptcy Code), Lender shall have the option to participate in (and following the occurrence of an Event of Default to the exclusion of Borrower, exercisable upon notice from Lender to Borrower, to conduct and control) any such litigation with counsel of Lender's choice. Lender may proceed in its own name or in the name of Borrower in connection with any such litigation, and Borrower agrees to execute any and all powers, authorizations, consents or other documents required by Lender in connection therewith. Borrower shall, upon demand,

pay to Lender all costs and expenses (including attorneys' fees) paid or incurred by Lender in connection with the prosecution or conduct of any such proceedings. Any such costs or expenses not paid by Borrower as aforesaid shall be secured by the lien of this Security Deed and shall be added to the principal amount of the indebtedness secured hereby. Borrower shall not commence any action, suit, proceeding or case, or file any application or make any motion, in respect of the Lease in any such case without the prior written consent of Lender.

(l) Borrower will use its best efforts to obtain and deliver to Lender within twenty (20) days after written request by Lender, an estoppel certificate from the landlord under the Lease setting forth (i) the name of the tenant thereunder, (ii) that the Lease has not been modified or, if it has been modified, the date of each modification (together with copies of each such modification), (iii) the rent payable under the Lease, (iv) the date to which all rental charges have been paid by tenant under the Lease, (v) whether there are any alleged defaults by tenant under the Lease and, if so, setting forth the nature thereof in reasonable detail, and (vi) such other matters as Lender may reasonably request, provided that in the absence of an Event of Default, such request shall not be made more frequently than once every three (3) years.

(m) Borrower represents and warrants to Lender that as of the date hereof, no default by Borrower under the Lease has occurred and is continuing, to the best of the Borrower's knowledge, there has not occurred and is not continuing a default by the landlord under the Lease, and that the Lease is valid and subsisting for the term set forth therein.

(n) Notwithstanding anything to the contrary contained herein, this Security Deed shall not constitute an assumption by Lender of the Lease and Lender shall have no liability or obligation thereunder by reason of its acceptance of this Security Deed.

(o) Borrower hereby irrevocably appoints Lender as Borrower's attorney-in-fact (which appointment is coupled with an interest and is irrevocable) to execute any and all documents required by this Paragraph 20 with respect to the Lease and to perform any and all acts required thereby, if Borrower shall fail to do so within five (5) days after demand by Lender.

(p) Borrower shall not amend, supplement or otherwise modify any material term of the Lease without the prior written consent of Lender, which consent shall not be unreasonably withheld. Additionally, Borrower will exercise all extension or renewal options set forth in the Lease that would make the Lease at least coterminous with the term of the credit facility described in the Loan Agreement as it may be extended or renewed, unless otherwise agreed to by Lender, which consent shall not be unreasonably withheld.

(q) In addition to but not in any way limiting any rights provided to Lender herein, in the event that (i) the Lease is assigned to Lender, (ii) Lender assumes the Lease, (iii) Lender purchases the rights, title and interest of Borrower in and to the Lease at any

foreclosure sale conducted pursuant to Paragraph 6(c) above, or (iv) the Lease is canceled or terminated and Lender or its nominee acquires an interest in any new lease of the Property demised thereby, then Lender or its nominee, as the case may be, may, at its option, (1) extend the term of the Lease or such new lease for an additional twenty (20) year period from the date of its expiration and (2) partition the Property into three (3) separate rental units. In no event shall Lender be entitled to take any action that is not permitted under the Lease.

21. CONSENT TO JURISDICTION; WAIVERS. THE BORROWER HEREBY IRREVOCABLY AND UNCONDITIONALLY (A) SUBMITS TO PERSONAL JURISDICTION IN THE STATE OF ILLINOIS OVER ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS SECURITY DEED, AND (B) WAIVES ANY AND ALL PERSONAL RIGHTS UNDER THE LAWS OF ANY STATE (I) TO THE RIGHT, IF ANY, TO TRIAL BY JURY, (II) TO OBJECT TO JURISDICTION WITHIN THE STATE OF ILLINOIS OR VENUE IN ANY PARTICULAR FORUM WITHIN THE STATE OF ILLINOIS, AND (III) TO THE RIGHT, IF ANY, TO CLAIM OR RECOVER ANY SPECIAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES OR ANY DAMAGES OTHER THAN ACTUAL DAMAGES. THE BORROWER AGREES 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 MAY BE MADE BY CERTIFIED OR REGISTERED MAIL, RETURN RECEIPT REQUESTED DIRECTED TO THE BORROWER AT THE ADDRESS SET FORTH ABOVE, AND SERVICE SO MADE SHALL BE COMPLETE FIVE (5) DAYS AFTER THE SAME SHALL BE SO MAILED. NOTHING CONTAINED HEREIN, HOWEVER, SHALL PREVENT THE LENDER FROM BRINGING ANY SUIT, ACTION OR PROCEEDING OR EXERCISING ANY RIGHTS AGAINST ANY COLLATERAL AND AGAINST THE BORROWER, AND AGAINST ANY PROPERTY OF THE BORROWER, IN ANY OTHER STATE.

22. Insurance. Unless Borrower provides Lender with evidence reasonably satisfactory to Lender of the insurance coverage required by the Loan Agreement, Lender may purchase insurance at Borrower's expense to protect Lender's interest in the Property. This insurance may, but need not, protect Borrower's interest in the Property. The coverage purchased by Lender may not pay any claim made by Borrower or any claim made against Borrower in connection with the Property. Borrower may later cancel any insurance purchased by Lender, but only after providing Lender with evidence reasonably satisfactory to Lender that Borrower has obtained insurance as required by the Loan Agreement. If Lender purchases insurance for the Property, Borrower will be responsible for the costs of that insurance, including interest at the default rate of interest applicable to the Term Note as set forth in the Loan Agreement and any other charges imposed by the Lender in connection with the placement of insurance, until the effective date of the cancellation or expiration of such insurance. The costs of the insurance may, at Lender's discretion, be added to Borrower's total principal obligations owing to Lender, and in any event shall be secured by this Security Deed. It is understood and agreed that the costs of insurance obtained by Lender may be more than the costs of insurance Borrower may be able to obtain on its own.

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23. Environmental Disclosure Document. The Borrower represents and warrants that it is not required to deliver or file, in connection with this Security Deed, an Environmental Disclosure Document for Transfer of Real Property under the Illinois Responsible Property Transfer Act of 1988.

24. Mortgage Foreclosure Law.

(a) In the event that any provision in this Security Deed shall be inconsistent with any applicable provision of the Illinois Mortgage Foreclosure Law, 735 ILCS 5/15-1101 *et seq.* (the "IMFL"), the provisions of the IMFL shall take precedence over the provisions of this Security Deed, but shall not invalidate or render unenforceable any other provision of this Security Deed that can be construed in a manner consistent with the IMFL.

(b) If any provision of this Security Deed shall grant to Lender any rights or remedies upon default of Borrower which are more limited than the rights that would otherwise be vested in Lender under the IMFL in the absence of said provision, Lender shall be vested with the rights granted in the IMFL to the full extent permitted by law.

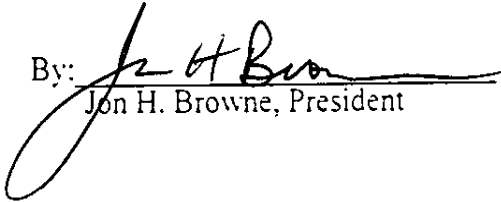
(c) Without limiting the generality of the foregoing, all expenses incurred by Lender to the extent reimbursable under the IMFL, whether incurred before or after any decree or judgment of foreclosure, and whether or not provided for elsewhere in this Security Deed, shall be added to the indebtedness secured by this Security Deed or by the judgment of foreclosure.

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IN WITNESS WHEREOF, Borrower has executed this Security Deed, as of the day and year first above written.

CHERNIN'S SHOES, INC.,
a Delaware Corporation

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By: 
Jon H. Browne, President

Property of Cook County Clerk's Office

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STATE OF ILLINOIS

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) SS:

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COUNTY OF COOK

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The undersigned, a notary public in and for the above county and state, hereby certifies that on the 24th day of January, 1999, before me personally appeared Chernin's Shoes, Inc., a Delaware corporation, by Jon H. Browne, its President, who was known to me as the person, who acknowledged that the signing of the same was his voluntary act and deed for the uses and purposes stated.

Nancy A. Butler

Notary Public

My commission expires: 10/9/01

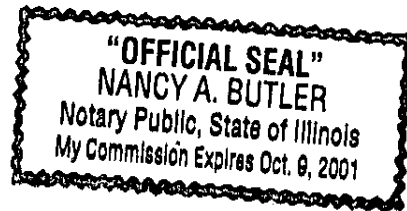


EXHIBIT A

[Description of the Land]

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Parcel 1:

The South 20 feet of Lot 2 and all of Lots 3, 4, 5, 6, 7, 8, 9, 10 and 11 in Block 2 in the Subdivision of Outlot "E" of Wrightwood, Being a Subdivision of the South West 1/4 of Section 28, Township 40 North, Range 14 East of the Third Principal Meridian, in Cook County, Illinois;

AND

Lots 12, 13, 14, and 15 in Block 2 in the Subdivision of Outlot "E" of Wrightwood, Being a Subdivision of the South West 1/4 of Section 28, Township 40 North, Range 14 East of the Third Principal Meridian, in Cook County, Illinois.

PN: 14-28-302-002-0000; 14-28-302-003-0000; 14-28-302-004-0000; 14-28-302-0056-0000; 14-28-302-057-0000

Property of Cook County Clerk's Office