

This Document Prepared By:

Alan Garfield, Garfield & Merel, Ltd.  
205 W. Randolph Street  
Chicago, Illinois 60606

After Recording Return To:

3559172

Phillips, Lytle, Hitchcock,  
Blaine & Huber  
3400 Marine Midland Center  
Buffalo, New York 14203

MORTGAGE AND SECURITY AGREEMENT

THIS MORTGAGE AND SECURITY AGREEMENT ("Mortgage") made this 10th day of October, 1986, by GENERAL HEALTH CARE CORPORATION, successor by merger to Sketchley Diaper Services, Inc., a Delaware Corporation having an office at 45 Knightsbridge Road, Piscataway New Jersey 08845 (herein called the "Mortgagor"), to MARINE MIDLAND BANK, N.A. a national banking association, having an office at 140 Broadway, New York, New York 10015 (herein, together with its successors and assigns, including each and every from time to time holder of the Note hereinafter referred to, called the "Mortgagee").

WHEREAS, the Mortgagor has, concurrently herewith, executed and delivered to the Mortgagee, the Mortgagor's mortgage note (herein called the "Note") dated the date hereof, in the principal sum of FIVE MILLION AND 00/100 DOLLARS (\$5,000,000.00) bearing interest at the rate specified therein, due in installments and in any event on September 28, 1991, payable to the order of the Mortgagee, and otherwise in the form of Note attached hereto as Exhibit A and made a part hereof, and

WHEREAS, the indebtedness evidenced by the Note, including the principal thereof and interest and premium, if any, thereon, and any extensions and renewals thereof, in whole or in part, and any and all other sums which may be at any time due or owing or required to be paid as herein or in the Note provided, are herein called the "Indebtedness Hereby Secured."

NOW, THEREFORE, THIS MORTGAGE WITNESSETH:

That to secure the payment of the principal of and interest and premium, if any, on the Note according to its tenor and effect and to secure the payment of all other Indebtedness Hereby Secured and the performance and observance of all the covenants, provisions and agreements herein and in the Note contained (whether or not the Mortgagor is personally liable for such payment, performance and observance) and in consideration of the premises and Ten Dollars (\$10.00) in hand paid by the Mortgagee to the Mortgagor, and for other good and valuable considerations, the receipt and sufficiency of all of which is hereby acknowledged by the Mortgagor, the Mortgagor does hereby GRANT, RELEASE, REMISE, ALIEN, MORTGAGE and CONVEY unto the Mortgagee all and sundry the property (herein together with the property mentioned in the next succeeding paragraphs hereto, called the "Premises") described in Exhibit B attached hereto and made a part hereof.

TOGETHER with and including within the term "Premises", as used herein, any and all improvements, tenements, buildings, easements, fixtures, privileges, reservations, allowances, hereditaments and appurtenances now or hereafter thereunto belonging or pertaining; any and all rights and estates in reversion or remainder; all rights of Mortgagor in or to adjacent sidewalks, alleys, streets and vaults; and any and all rights and interests of every

7075 898 (002) m

10/10/80 Description of property on city # 1411902 + 1411904  
R. Radulovic, R. D. [unclear]

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name and nature now or hereafter owned by the Mortgagor, forming a part of and/or used in connection with the real estate and/or the operation and convenience of the buildings and improvements located thereon, including (by way of enumeration but without limitation) all furniture, furnishings, and equipment used or useful in the operation of the real property or improvements thereon or furnished by Mortgagor to tenants thereof; all building materials located at the said real estate and intended to be incorporated in improvements now or hereafter to be constructed thereon, whether or not incorporated therein; all machines, machinery, fixtures, apparatus, equipment or articles used to supply heating, gas, electricity, air conditioning, water, light, power, sprinkler protection, waste removal, refrigeration and ventilation, and all floor coverings, screens, storm windows, blinds, awnings, stoves, refrigerators, dishwashers, disposal units, range hoods and blowers, together with all additions thereto and replacements thereof (Mortgagor agreeing to execute such further instruments as requested by Mortgagee to confirm conveyance and transfer of the foregoing); in each case now or hereafter placed in, on or at the Premises (it being understood that the enumeration of any specific articles of property shall in no wise exclude or be held to exclude any items of property not specifically enumerated). As to any of the property aforesaid which does not form a part and parcel of the real estate or does not constitute a fixture (as defined by the Uniform Commercial Code), this Mortgage is hereby deemed to be as well, a Security Agreement under the Uniform Commercial Code for the purpose of creating hereby a security interest in such property, which Mortgagor hereby grants to the Mortgagee as Secured Party.

AND TOGETHER WITH all of the rents, income, receipts, revenues, issues and profits thereof and therefrom; AND all of the land, estate, property and rights hereinabove described and hereby conveyed and intended so to be, whether real, personal or mixed, and whether or not affixed or annexed to the real estate are intended to be as a unit and are hereby understood, agreed and declared to form a part and parcel of the real estate and to be appropriated to the use of the real estate and for the purposes hereof shall be deemed to be real estate conveyed and mortgaged hereby.

Any and all awards or payments, including interest thereon, and the right to receive the same, which may be made with respect to the Premises as a result of (a) the exercise of the right of eminent domain, (b) the alteration of the grade of any street, or (c) any other injury to or decrease in the value of the premises, to the extent of all amounts which may be secured by this Mortgage at the date of receipt of any such award or payment by the Mortgagee, and of the reasonable counsel fees, costs and disbursements incurred by the Mortgagee in connection with the collection of such award or payment. The Mortgagor agrees to execute and deliver, from time to time, such further instruments as may be requested by the Mortgagee to confirm such assignment to the Mortgagee of any such award or payment.

All of Mortgagor's rights further to encumber said property for debt except by such encumbrances which, by their actual terms and specifically expressed intent, shall be and at all times remain subject and subordinate to any and all leases and/or tenancies (a) which are in existence when such encumbrances become effective, or (b) which are thereafter created, Mortgagor hereby representing to Mortgagee, as a special inducement to Mortgagee to make this loan, that as of the date hereof there are no other encumbrances to secure debt, and covenanting that there are to be none as of the date this Mortgage becomes of record, except in either case encumbrances having the prior written approval of Mortgagee, and all of Mortgagor's rights to enter into any lease or lease agreement which would create a tenancy that is or may become subordinate in any respect to any mortgage or deed of trust other than this Mortgage.

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TO HAVE AND TO HOLD all and sundry the Premises hereby mortgaged and conveyed or intended so to be, together with the rents, issues and profits thereof, unto the Mortgagee forever, free from all rights and benefits under and by virtue of the Homestead Exemption Laws and Redemption Laws of the State of Illinois (which rights and benefits are hereby expressly released and waived), for the uses and purposes herein set forth, together with all right to retain possession of the Premises after any default in the payment of all or any part of the Indebtedness Hereby Secured, or the breach of any covenant or agreement herein contained, or upon the occurrence of any Event of Default as hereinafter defined. Beneficial Owner is hereby defined to be the current or future beneficiary of the Mortgagor.

PROVIDED, NEVERTHELESS, and these presents are upon the express condition that if all of the Indebtedness Hereby Secured shall be duly and punctually paid and all the terms, provisions, conditions and agreements herein contained on the part of the Mortgagor to be performed or observed shall be strictly performed and observed, then this Mortgage and the estate, right and interest of the Mortgagee in the Premises shall cease and become void and of no effect.

AND IT IS FURTHER AGREED THAT:

1. PAYMENT OF INDEBTEDNESS. The Mortgagor will duly and promptly pay each and every installment of the principal of and interest and premium, if any, on the Note, and all other Indebtedness Hereby Secured, as the same become due, and will duly perform and observe all of the covenants, agreements and provisions herein or in the Note provided on the part of the Mortgagor to be performed and observed.

2. MAINTENANCE, REPAIR, RESTORATION, PRIOR LIENS, PARKING, ETC. Mortgagor will (a) promptly repair, restore or rebuild any buildings or improvements now or hereafter on the Premises which may become damaged or be destroyed whether or not proceeds of insurance are available or sufficient for the purpose; (b) keep the Premises in good condition and repair, without waste, and free from mechanics', materialmen's or like liens or claims or other liens or claims for lien not expressly subordinated to the lien hereof; (c) pay, when due, any indebtedness which may be secured by a lien or charge on the Premises inferior or superior to the lien hereof, and upon request exhibit satisfactory evidence of the payment or discharge of such lien to the Mortgagee; (d) complete, within a reasonable time, any building or buildings now or at any time in the process of erection upon the Premises; (e) comply with all requirements of law, municipal ordinances or restrictions and covenants of record with respect to the Premises and the use thereof; (f) make no material alterations in the Premises, except as required by law or municipal ordinance; (g) suffer or permit no change in the general nature of the occupancy of the Premises without the Mortgagee's prior written consent; (h) pay all operating costs of the Premises; (i) initiate or acquiesce in no zoning reclassification with respect to the premises, without the Mortgagee's prior written consent; and (j) provide, improve, grade, surface and thereafter maintain, clean, repair, police and adequately light parking areas within the Premises of sufficient size to accommodate not less than the number of standard size American made automobiles as may be required by local zoning authorities, codes or other laws whichever may be greater, together with any sidewalks, aisles, streets, driveways and sidewalk cuts and sufficient paved areas for ingress, egress and right-of-way to and from the adjacent public thoroughfares necessary or desirable for the use thereof; and will reserve and use all such parking areas solely and exclusively for the purpose

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of providing ingress, egress and parking facilities for automobiles and other passenger vehicles of Mortgagor or tenants or invitees of tenants of the Premises; and Mortgagor will not reduce, build upon, obstruct, redesignate or relocate any such parking areas, sidewalks, aisles, streets, driveways, sidewalk cuts or paved areas or rights-of-way or lease or grant any rights to use the same to any other person except tenants and invitees of tenants of the Premises without the prior written consent of the Mortgagor.

No improvement on the real estate or on land adjoining the real estate which is owned or controlled by Mortgagor or a Beneficial Owner (as hereinafter defined) or by any general partner or related business entity of such general partner or Beneficial Owner shall be constructed unless plans and specifications therefor have been first submitted to Mortgagee and approved by it, in the exercise of its sole judgment, as entailing no prejudice to the loan secured hereby or the security therefor.

**3. TAXES.** The Mortgagor will pay when due and before any penalty attaches, all general and special taxes, assessments, water charges, sewer charges, and other fees, taxes, charges and assessments of every kind and nature whatsoever (all herein generally called "Taxes"), whether or not assessed against the Mortgagor, if applicable to the Premises or any interest therein, or the Indebtedness Hereby Secured, or any obligation or agreement secured hereby; and Mortgagor will, within thirty days after the due date thereof, furnish to the Mortgagee, duplicate receipts therefor. To prevent default thereunder, the Mortgagor will pay in full under protest in the manner provided by statute, any Taxes which the Mortgagor may desire to contest; provided, however, that if deferment of payment of any such Taxes is required to conduct any contest or review, the Mortgagor shall deposit the full amount thereof, together with an amount equal to the estimated interest and penalties thereon during the period of contest, with the Mortgagee. In any event, Mortgagor shall (and if Mortgagor shall fail so to do, the Mortgagee may, but shall not be required to, and for the purpose may use the monies deposited as aforesaid) pay all Taxes, notwithstanding such contest, if in the opinion of the Mortgagee, the Premises shall be in jeopardy or in danger of being forfeited or foreclosed. In the event that any law or court decree has the effect of deducting from the value of land for the purpose of taxation any lien thereon, or imposing upon the Mortgagee the payment of the whole or any part of the Taxes or liens herein required to be paid by the Mortgagor, or changing in any way the laws relating to the taxation of mortgages or debts secured by mortgages or the interest of the Mortgagee in the Premises or the manner of collection of Taxes, so as to affect this Mortgage or the Indebtedness Hereby Secured or the holder thereof, then and in any such event, the Mortgagor upon demand by the Mortgagee, will pay such Taxes or reimburse the Mortgagee therefor. Nothing in this Section 3 contained shall require the Mortgagor to pay any income, franchise or excise tax imposed upon the Mortgagee, excepting only such which may be levied against such income expressly as and for a specific substitute for Taxes on the Premises, and then only in any amount computed as if the Mortgagee derived no income from any source other than its interest hereunder.

**4. INSURANCE COVERAGE.** The Mortgagor will insure and keep insured all of the buildings and improvements now or hereafter constructed or erected upon the Premises and each and every part and parcel thereof pursuant to Paragraph 5.7 of the Loan Agreement which paragraph is incorporated herein by reference.

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If the Mortgagor shall fail to keep the Mortgaged Premises insured in accordance with the requirements of Section 4 hereof, the Mortgagee shall have the right, at its option, to provide for such insurance and pay the premiums thereof, and any amounts paid by the Mortgagee shall constitute additional indebtedness hereby secured by this Mortgage and shall bear interest at the Default Rate as hereinafter defined.

5. PROCEEDS OF INSURANCE. The Mortgagor will give the Mortgagee prompt notice of any damage to or destruction of the Premises, and:

a) In case of loss covered by policies of insurance, the Mortgagee (or, after entry of decree of foreclosure, the Purchaser at the foreclosure sale or decree creditor, as the case may be) is hereby authorized at its option either (i) to settle and adjust any claim under such policies without the consent of the Mortgagor, or (ii) allow the Mortgagor to agree with the insurance company or companies on the amount to be paid upon the loss; provided, that the Mortgagor may itself adjust losses aggregating not in excess of Five Thousand Dollars (\$5,000.00), and provided further that in any case the Mortgagee shall, and is hereby authorized to collect and receipt for any such insurance proceeds; and the expenses incurred by the Mortgagee in the adjustment and collection of insurance proceeds shall be so much additional Indebtedness Hereby Secured, and shall be reimbursed to the Mortgagee upon demand.

b) In the event of any insured damage to or destruction of the Premises or any part thereof (herein called an "Insured Casualty"), and:

(i) If, in the sole and exclusive judgment of the Mortgagee, the Premises can be restored to an economic unit not less valuable than the same was prior to the Insured Casualty within a reasonable period of time as determined solely by the Mortgagee, and adequately securing the outstanding balance of the Indebtedness Hereby Secured, or

(ii) If, under the terms of any lease or leases which may be prior to this Mortgage, the Mortgagor is obligated to restore, repair, replace or rebuild the Premises or any part thereof so damaged or destroyed, and such Insured Casualty does not result in cancellation or termination of such lease or leases and the insurers do not deny liability to the insureds, then, if no Event of Default as hereinafter defined shall have occurred and be then continuing and the Mortgagor shall not be in default hereunder and the Mortgagee, in its sole discretion, is adequately secure in receiving all payments due from the Mortgagor under the Note during the period of construction and restoration, the proceeds of insurance shall be applied to reimburse the Mortgagor for the cost of restoring, repairing, replacing or rebuilding the Premises or part thereof subject to Insured Casualty, as provided for in Section 6 hereof; and the Mortgagor hereby covenants and agrees forthwith to commence and to diligently prosecute such restoring, repairing, replacing or rebuilding; provided, always, that the Mortgagor shall pay all costs of such restoring, repairing, replacing or rebuilding in excess of the proceeds of insurance.

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c) Except as provided for in Subsection (b) of this Section 5, the Mortgagee may apply the proceeds of insurance consequent upon any Insured Casualty upon the Indebtedness Hereby Secured, in such order or manner as the Mortgagee may elect.

d) In the event that proceeds of insurance, if any, shall be made available to the Mortgagor for the restoring, repairing, replacing or rebuilding of the Premises, the Mortgagor hereby covenants to restore, repair, replace or rebuild the same, to be of at least equal value, and of substantially the same character as prior to such damage or destruction; all to be effected in accordance with plans and specifications to be first submitted to and approved by the Mortgagee.

6. DISBURSEMENT OF INSURANCE PROCEEDS. In the event the Mortgagor is entitled to reimbursement out of insurance proceeds held by the Mortgagee, such proceeds shall be disbursed from time to time upon the Mortgagee being furnished with satisfactory evidence of the estimated cost of completion of the restoration, repair, replacement and rebuilding with funds (or assurances satisfactory to the Mortgagee that such funds are available) sufficient in addition to the proceeds of insurance, to complete the proposed restoration, repair, replacement and rebuilding and with such architect's certificates, waivers of lien, contractor's sworn statements and such other evidences of cost and of payment as the Mortgagee may reasonably require and approve; and the Mortgagee may, in any event, require that all plans and specifications for such restoration, repair, replacement and rebuilding be submitted to and approved by the Mortgagee prior to commencement of work. No payment made prior to the final completion of the restoration, repair, replacement or rebuilding shall exceed ninety percent (90%) of the value of the work performed from time to time; funds other than proceeds of insurance shall be disbursed prior to disbursement of such proceeds; and at all times the undischursed balance of such proceeds remaining in the hands of the Mortgagee, together with funds deposited for the purpose or irrevocably committed to the satisfaction of the Mortgagee by or on behalf of the Mortgagor for the purpose, shall be at least sufficient in the reasonable judgment of the Mortgagee to pay for the cost of completion of the restoration, repair, replacement or rebuilding, free and clear of all liens or claims for lien. No interest shall be allowed to the Mortgagor on account of any proceeds of insurance or other funds held in the hands of Mortgagee.

7. CONDEMNATION. The Mortgagor will give prompt notice of any proceedings, instituted or threatened, seeking condemnation or taking by eminent domain or any like process. The Mortgagor hereby assigns, transfers and sets over unto the Mortgagee the entire proceeds of any award or claim for damages for any of the Premises taken or damaged under the power of eminent domain, or by condemnation including damages to grade. The Mortgagee may elect to apply the proceeds of the award upon or in reduction of the Indebtedness Hereby Secured then most remotely to be paid, whether due or not, or to require the Mortgagor to restore or rebuild the Premises, in which event, the proceeds shall be held by the Mortgagee and used to reimburse the Mortgagor for the cost of such rebuilding or restoring. If the Mortgagor is obligated to restore or replace the damaged or destroyed buildings or improvements upon the Premises under the terms of any lease or leases which are or may be prior to the lien of this Mortgage, and if such taking does not result in cancellation of such lease or leases, the award shall be used to reimburse the Mortgagor for the cost of restoration and rebuilding; provided always, that Mortgagor is not in default hereunder and that no Event of Default

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has occurred and is then continuing. If the Mortgagor is required or permitted to rebuild or restore the Premises as aforesaid, such rebuilding or restoration shall be effected solely in accordance with plans and specifications previously submitted to and approved by the Mortgagee, and proceeds of the award shall be paid out in the same manner as is provided in Section 6 hereof for the payment of insurance proceeds towards the cost of rebuilding or restoration. If the amount of such award is insufficient to cover the cost of rebuilding or restoration, the Mortgagor shall pay such costs in excess of the award, before being entitled to reimbursement out of the award. Any surplus which may remain out of the award after payment of such costs of rebuilding or restoration shall, at the option of the Mortgagee, be applied on account of the Indebtedness Hereby Secured, then most remotely to be paid, or be paid to any other party entitled thereto. No interest shall be allowed to Mortgagor on account of any award held by Mortgagee.

8. STAMP TAX. If, by the laws of the United States of America, or of any state having jurisdiction over the Mortgagor, any tax is due or becomes due in respect of the issuance of the Note, the Mortgagor shall pay such tax in the manner required by such law.

9. PREPAYMENT PRIVILEGE. At such time as the Mortgagor is not in default under the terms of the Note, or under the terms of this Mortgage, the Mortgagor shall have the privilege of making prepayments of the principal of the Note (in addition to the required payments hereunder) in accordance with the prepayment premium provisions set forth in the Note, but not otherwise.

10. EFFECT OF EXTENSIONS OF TIME, AMENDMENTS ON JUNIOR LIENS AND OTHERS. If the payment of the Indebtedness Hereby Secured, or any part thereof, be extended or varied, or if any part of the security be released, all persons now or at any time hereafter liable therefor, or interested in the Premises, shall be held to assent to such extension, variation or release, and their liability, and the lien, and all provisions hereof, shall continue in full force and effect; the right of recourse against all such persons being expressly reserved by the Mortgagee, notwithstanding any such extension, variation or release. Any person, firm or corporation taking a junior mortgage, or other lien upon the Premises or any interest therein, shall take the said lien subject to the rights of the Mortgagee herein to amend, modify and supplement this Mortgage, the Note and the Assignment hereinafter referred to, and to extend the maturity of the Indebtedness Hereby Secured, in each and every case without obtaining the consent of the holder of such junior lien and without the lien of this Mortgage losing its priority over the rights of any such junior lien.

11. EFFECT OF CHANGES IN TAX LAWS. In the event of the enactment after the date hereof by any legislative authority having jurisdiction of the Premises of any law deducting from the value of land for the purposes of taxation, any lien thereon, or imposing upon the Mortgagee the payment of the whole or any part of the taxes or assessments or charges or liens herein required to be paid by the Mortgagor, or changing in any way the laws relating to the taxation of mortgages or debts secured by mortgages or the Mortgagee's interest in the Premises, or the method of collecting taxes so as to affect the Mortgage or the Indebtedness Hereby Secured, or the holder thereof, then, and in any such event, the Mortgagor, upon demand by the Mortgagee, shall pay such taxes or assessments, or reimburse the Mortgagee therefor. In the event the Mortgagor fails to pay such taxes or assessments or reimburse the Mortgagee within sixty (60) days after demand, this will constitute an Event of Default herein.

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12. COMPLIANCE WITH GOVERNMENTAL, INSURANCE AND OTHER REQUIREMENTS. Mortgagor shall comply with all statutes, ordinances, orders, requirements, or decrees relating to the Premises or the use thereof of any federal, state, or municipal authority, including, but not limited to any rules or regulations regarding any toxic waste which now or hereafter is located on or below the Premises, and shall observe and comply with all conditions and requirements necessary to maintain in force the insurance required herein and to preserve and extend any and all rights, licenses, permits (including, but not limited to, zoning variances, special exceptions, and non-conforming uses) privileges, franchises, and concessions which are applicable to the Premises or which have been granted to or contracted for by Mortgagor in connection with any existing or presently contemplated use of the Premises. In the event that any building or other improvement on the Premises must be altered or removed to enable Mortgagor to comply with the foregoing provision of this paragraph, Mortgagor shall not commence any such alterations or removals without Mortgagee's prior approval of the need therefor and the plans and specifications pertaining thereto. After such approval, Mortgagor, at its sole cost and expense, shall effect the alterations or removal so required and approved by Mortgagee. Mortgagor shall not, by act or omission, permit any building or other improvement on land not subject to the lien of this Mortgage to rely on the premises or any part thereof or any interest therein to fulfill any municipal or governmental requirement, and Mortgagor hereby assigns to Mortgagee any and all rights to give consent for all or any portion of the Premises or any interest therein to be so used. Similarly, no building or other improvement on the Premises shall rely on any land not subject to the lien of this Mortgage or any interest therein to fulfill any governmental or municipal requirement. Mortgagor shall not, by act or omission, impair the integrity of the Premises as a single zoning lot separate and apart from all other Premises. Any act or omission by Mortgagor which would result in a violation of any of the provisions of this paragraph shall be void. Mortgagor shall duly and punctually perform and comply with all covenants and conditions expressed as binding upon it under any recorded document or any other agreement of any nature whatsoever binding upon it which pertains to the Premises.

13. MORTGAGEE'S PERFORMANCE OF MORTGAGOR'S OBLIGATIONS. In case of default therein, the Mortgagee either before or after acceleration of the Indebtedness Hereby Secured or the foreclosure of the lien hereof may, but shall not be required to, make any payment or perform any act herein required of the Mortgagor (whether or not the Mortgagor is personally liable therefor) in any form and manner deemed expedient to the Mortgagee; and the Mortgagee may, but shall not be required to, make full or partial payments of principal or interest on prior encumbrances, if any, and purchase, discharge, compromise or settle any tax lien or other prior lien or title or claim thereof, or redeem from any tax sale or forfeiture affecting the Premises, or contest any tax or assessment, and may, but shall not be required to, complete construction, furnishing and equipping of the improvements upon the Premises and rent, operate and manage the Premises and such improvements and pay operating costs and expenses, including management fees, of every kind and nature in connection therewith, so that the Premises and improvements shall be operational and usable for their intended purposes. All monies paid for any of the purposes herein authorized, and all expenses paid or incurred in connection therewith, including attorneys' fees and any other monies advanced by the Mortgagee to protect the Premises and the lien hereof, or to complete construction, furnishing and equipping or to rent, operate and manage the Premises and such improvements or to pay any such operating costs and expenses thereof or to keep



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the Premises and improvements operational and usable for its intended purpose, shall be so much additional Indebtedness Hereby Secured, whether or not they exceed the amount of the Note, and shall become immediately due and payable without notice, and with interest thereon at the Default Rate specified in the Note (herein called the "Default Rate"). Inaction of the Mortgagee shall never be considered as a waiver of any right accruing to it on account of any default on the part of the Mortgagor. The Mortgagee, in making any payment hereby authorized (a) relating to taxes and assessments, may do so according to any bill, statement or estimate, without inquiry into the validity of any tax, assessment, sale, forfeiture, tax lien or title or claim thereof; (b) for the purchase, discharge, compromise or settlement of any other prior lien, may do so without inquiry as to the validity or amount of any claim for lien which may be asserted; or (c) in connection with the completion of construction, furnishing or equipping of the improvements or the Premises or the rental, operation or management of the Premises or the payment of operating costs and expenses thereof, Mortgagee may do so in such amounts and to such persons as Mortgagee may deem appropriate and may enter into such contracts therefor as Mortgagee may deem appropriate or may perform the same itself.

14. ACKNOWLEDGEMENT OF DEBT. Mortgagor or the Beneficial Owner of Mortgagor shall furnish from time to time within seven (7) days after Mortgagee's request, a written statement, duly acknowledged, verifying the amount due upon this Mortgage (as reflected on the books and records of Mortgagee) and whether any alleged offsets or defenses exist against the indebtedness secured by this Mortgage.

15. RENTS AND LEASIS.

A. Mortgagee's Right of Prior Approval. In the event of any leasing of all or a portion of the Premises, all leases shall be subject to the approval of Mortgagee as to form and content and, without limiting the generality of the foregoing, neither Mortgagor nor any Beneficial Owner shall, without Mortgagee's prior written consent, (i) make any lease of all or any part of the Premises, except for actual occupancy by the lessee thereunder, (ii) execute an assignment or pledge of any rents of the Premises or of any lease of all or any part of the Premises, except as security for the Indebtedness Hereby Secured, (iii) accept any prepayment of any installment of any rents more than two (2) months before the due date of such installment, or (iv) agree to any amendment to or change in the terms of any lease previously approved by Mortgagee. Mortgagor agrees to supply Mortgagee, upon ten (10) days prior written request, true and correct copies of all leases for the premises.

B. Mortgagor's Obligations. Mortgagor, or a Beneficial Owner, but in either case without any cost and expense to Mortgagee, shall (i) at all times promptly and faithfully abide by, discharge and perform all of the covenants, conditions and agreements contained in all leases of all or any part of the Premises, on the part of the landlord thereunder to be kept and performed, (ii) enforce or secure the performance of all of the covenants, conditions and agreements of such leases on the part of the lessees to be kept and performed, (iii) appear in and defend any action or proceeding arising under, growing out of or in any manner connected with such leases or the obligations, duties or liabilities of landlord or of the lessees thereunder, (iv) transfer and assign to Mortgagee upon demand, any and all instruments required to effectuate said assignment, and (v) furnish Mortgagee, within ten (10) days after a request by Mortgagee so to do, a written statement containing the names of all lessees, terms

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of all leases, including the spaces occupied, and the rentals payable thereunder. Mortgagee shall have the option to declare this Mortgage in default because of a default of landlord in any lease of all or any part of the Premises, whether or not such default is cured by Mortgagee pursuant to the right granted herein, provided, however, any default of landlord alleged by a tenant may be contested by Mortgagor, and in the event of such contest, Mortgagee's right to accelerate the maturity of the indebtedness secured hereby pursuant to the provisions of this sentence (without affecting Mortgagee's right to accelerate in accordance with any other provision hereof) shall be exercisable only if and when the matter is finally resolved in a manner adverse to landlord or Mortgagor. Any default under any separate Assignment of Lease or under any Assignment of Rents given as additional security for the indebtedness secured hereby shall constitute a default hereunder on account of which the whole of the indebtedness secured hereby shall at once, at the option of the Mortgagee, become immediately due and payable without notice to the Mortgagor.

C. Mortgage Exoneration. Nothing in this Mortgage or in any other documents relating to the Indebtedness Hereby Secured shall be construed to obligate Mortgagee, expressly or by implication, to perform any of the covenants of Mortgagor or any Beneficial Owner as landlord, under any of the leases assigned to Mortgagee or to pay any sum of money or damages therein provided to be paid by the landlord, each and all of which covenants and payments Mortgagor agrees to perform and pay.

D. Lessee Attornment. In the event of the enforcement by Mortgagee of the remedies provided for by law or by this Mortgage, the lessee under each lease of all or any part of the Premises shall, at the option of the Mortgagee, attorn to any person succeeding to the interest of Mortgagor or Beneficial Owner, as the case may be, as a result of such enforcement and shall recognize each successor in interest as landlord under such lease without change in the terms or other provisions thereof, provided, however, that said successor in interest shall not be bound by any payment of rent or additional rent for more than one month in advance or any amendment or modification to any lease made without the prior consent of Mortgagee or said successor in interest. Each lessee, upon request by Mortgagee or any such successor in interest, shall execute and deliver an instrument or instruments confirming such attornment, and Mortgagor shall cause each such lease of all or any part of the Premises to contain a covenant of the lessee's part evidencing its agreement to such attornment.

E. Declaration of Subordination. At the option of Mortgagee, this Mortgage shall become subject and subordinate, in whole or in part (but not with respect to priority of entitlement to insurance proceeds or any award in condemnation) to any and all leases of all or any part of the Premises upon the execution by Mortgagee and recording thereof, at any time hereafter, in the Office of the Recorder of Deeds in and for the county wherein the premises are situated, of a unilateral declaration to that effect. Otherwise, all such leases, including, without limitation, leases currently in force shall be subject and subordinate to the lien and provisions of this Mortgage.

16. INSPECTION OF PREMISES. The Mortgagee shall have the right to inspect the Premises at all reasonable times, and access thereto shall be permitted for that purpose.

17. FINANCIAL STATEMENTS. The Mortgagor will provide financial statements pursuant to Paragraph Nos. 5.2 and 5.3 of the Loan Agreement which paragraphs are incorporated herein by reference.

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18. RESTRICTIONS ON TRANSFER, LIENS, SECONDARY FINANCING OR OTHER ENCUMBRANCES. It shall be an immediate Event of Default and default hereunder if, without the prior written consent of the Mortgagee, any of the following shall occur:

a) If the Mortgagor shall create, effect or consent to or shall suffer or permit any conveyance, installment sale of Premises, sale, assignment, transfer, lien, pledge, mortgage, security interest or other encumbrance or alienation of the Premises or any part thereof, or interest therein, excepting only sales or other dispositions of Collateral (herein called "Obsolete Collateral") no longer useful in connection with the operation of the Premises, provided that prior to the sale or other disposition thereof, such Obsolete Collateral has been replaced by Collateral, subject to the first and prior lien hereof, of at least equal value and utility;

b) If the Mortgagor is a trustee, then if any beneficiary of the Mortgagor shall create, effect or consent to, or shall suffer or permit, any sale, assignment, transfer, lien, pledge, mortgage, security interest or other encumbrance or alienation of such beneficiary's beneficial interest in the Mortgagor;

c) If the Mortgagor is a corporation, or if any corporation is a beneficiary of a trustee mortgagor, then if any shareholder of such corporation shall create, effect or consent to or shall suffer or permit any sale, assignment, transfer, lien, pledge, mortgage, security interest or other encumbrance or alienation of any such shareholder's shares in such corporation; provided that if such corporation is a corporation whose stock is publicly traded on a national securities exchange or on the "Over The Counter" market, then this Section 18(c) shall be inapplicable;

d) If the Mortgagor is a partnership or joint venture, or if any beneficiary of a trustee mortgagor is a partnership or joint venture, then if any partner, general or limited, or joint venturer in such partnership or joint venture, shall create, effect or consent to or shall suffer or permit any sale, assignment, transfer, lien, pledge, mortgage, security interest or other encumbrance or alienation of any part of the partnership interest or joint venture interest, as the case may be, of such partner or joint venturer;

in each case whether any such conveyance, sale, assignment, transfer, lien, pledge, mortgage, security interest, encumbrance or alienation is effected directly, indirectly, voluntarily or involuntarily, by operation of law or otherwise; provided, that the foregoing provisions of this Section 18 shall not apply (i) to liens securing the Indebtedness Hereby Secured, (ii) to the lien of current taxes and assessments not in default or (iii) to any transfers of the Premises or part thereof, or interest therein, or any beneficial interests, or shares of stock or partnership or joint venture interests as the case may be, in the Mortgagor or any beneficiary of a Trustee Mortgagor by or on behalf of an owner thereof who is deceased or declared judicially incompetent, to such owner's heirs, legatees, devisees, executors, administrators, estate, personal representatives and/or committee. The provisions of this Section 18 shall be operative with respect to, and shall be binding upon, any persons who, in accordance with the terms hereof or otherwise, shall acquire any part of or interest in or encumbrance upon the Premises, or such beneficial interest in,

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share of stock of or partnership or joint venture interest in the Mortgagor or any beneficiary of a Trustee Mortgagor.

19. UNIFORM COMMERCIAL CODE. This Mortgage constitutes a Security Agreement under the Uniform Commercial Code of the state in which the Premises are located (herein called the "Code") with respect to any part of the Premises which may or might now or hereafter be or be deemed to be personal property, fixtures or property other than real estate (all for the purposes of this Section 19 called "Collateral"); all of the terms, provisions, conditions and agreements contained in this Mortgage pertain and apply to the Collateral as fully and to the same extent as to any other property comprising the Premises; and the following provision of this Section 19 shall not limit the generality or applicability of any other provision of this Mortgage but shall be in addition thereto:

a) The Mortgagor (being the Debtor as that term is used in the Code) is and will be the true and lawful owner of the Collateral, subject to no liens, charges or encumbrances other than the lien hereof.

b) The Collateral is to be used by the Mortgagor solely for business purposes, being installed upon the Premises for Mortgagor's own use, or as the equipment and furnishings furnished by Mortgagor, as landlord, to tenants of the Premises.

c) The Collateral will be kept at the real estate comprised in the Premises, and will not be removed therefrom without the consent of the Mortgagee (being the Secured Party as that term is used in the Code) by Mortgagor or any other person; and the Collateral may be affixed to such real estate but will not be affixed to any other real estate.

d) The only persons having any interest in the Premises are the Mortgagor, the Beneficial Owner of Mortgagor and the Mortgagee.

e) No Financing Statement covering any of the Collateral or any proceeds thereof is on file in any public office except pursuant hereto; and Mortgagor will at its own cost and expense, upon demand, furnish to the Mortgagee such further information and will execute and deliver to the Mortgagee such financing statement and other documents in form satisfactory to the Mortgagee and will do all such acts and things as the Mortgagee may at any time or from time to time reasonably request or as may be necessary or appropriate to establish and maintain a perfected security interest in the Collateral as security for the *Indebtedness Hereby Secured*, subject to no adverse liens or encumbrances; and the Mortgagor will pay the cost of filing the same or filing or recording such financing statements or other documents, and this instrument, in all public offices wherever filing or recording is deemed by the Mortgagee to be necessary or desirable.

f) Upon any default or Event of Default hereunder (regardless of whether the Code has been enacted in the jurisdiction where rights or remedies are asserted) and at any time thereafter (such default not having previously been cured), the Mortgagee at its option may declare the *Indebtedness Hereby Secured* immediately due and payable, all as more fully set forth in Section 20 hereof, and thereupon Mortgagee shall have the remedies of a secured party under the Code, including without limitation, the right to take

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immediate and exclusive possession of the Collateral, or any part thereof, and for that purpose may, so far as the Mortgagor can give authority therefor, with or without judicial process, enter (if this can be done without breach of the peace), upon any place which the Collateral or any limitation, the right to take immediate and exclusive possession of the Collateral, or any part thereof, and for that purpose may, so far as the Mortgagor can give authority therefor, with or without judicial process, enter (if this can be done without breach of the peace), upon any place which the Collateral or any part thereof may be situated and remove the same therefrom (provided that if the Collateral is affixed to real estate, such removal shall be subject to the conditions stated in the Code); and the Mortgagee shall be entitled to hold, maintain, preserve and prepare the Collateral for sale, until disposed of, or may propose to retain the Collateral subject to Mortgagor's right of redemption in satisfaction of the Mortgagor's obligations, as provided in the Code. The Mortgagee without removal may render the Collateral unusable and dispose of the Collateral on the Premises. The Mortgagee may require the Mortgagor to assemble the Collateral and make it available to the Mortgagee for its possession at a place to be designated by Mortgagee which is reasonably convenient to both parties. The Mortgagee will give Mortgagor at least five (5) days' notice of the time and place of any public sale thereof or of the time after which any private sale or any other intended disposition thereof is made. The requirements of reasonable notice shall be met if such notice is mailed, by certified mail or equivalent, postage prepaid, to the address of Mortgagor shown in Section 44 of this Mortgage, at least five (5) days before the time of the sale or disposition. The Mortgagee may buy at any public sale and, if the Collateral is of a type customarily sold in a recognized market or is of a type which is the subject of widely distributed standard price quotations, Mortgagee may buy at private sale. Any such sale may be held as part of and in conjunction with any foreclosure sale of the real estate comprised with the Premises, the Collateral and real estate to be sold as one lot if Mortgagee so elects. The net proceeds realized upon any such disposition, after deduction for the expenses of retaking, holding, preparing for sale, selling or the like and the reasonable attorneys' fees and legal expenses incurred by Mortgagee, shall be applied in satisfaction of the Indebtedness Hereby Secured. The Mortgagee will account to the Mortgagor for any surplus realized on such disposition.

g) The remedies of the Mortgagee hereunder are cumulative and the exercise of any one or more of the remedies provided for herein or under the Code shall not be construed as a waiver of any of the other remedies of the Mortgagee, including having the Collateral deemed part of the realty upon any foreclosure thereof so long as any part of the Indebtedness Hereby Secured remains unsatisfied.

h) The terms and provisions contained in this Section 19 shall, unless the context otherwise requires, have the meanings and be construed as provided in the Code.

20. EVENTS OF DEFAULT. If one or more of the following events (herein called "Events of Default") shall occur:

a) If default be made for five (5) days in the due and punctual payment of the Note or any installment thereof, either principal or interest, as and when the same is due and payable, or if default be made for five (5) days

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in the making of any payment of monies required to be made hereunder or under the Note; or

b) If an Event of Default pursuant to Section 18 hereof shall occur and be continuing, without notice or period of grace of any kind; or

c) If default be made in the due and punctual delivery to the Mortgagee of the financial statements required pursuant to Section 17 hereof, without notice or period of grace of any kind; or

d) If (and for the purpose of this Section 20(d) only), the term Mortgagor shall mean and include not only Mortgagor but any beneficiary of a Trustee Mortgagor:

(i) Mortgagor shall file a petition in voluntary bankruptcy under any chapter of the Federal Bankruptcy Act or any similar law, state or federal, now or hereafter in effect, or

(ii) The Mortgagor shall file an answer admitting insolvency or inability to pay its debts, or

(iii) Within sixty (60) days after the filing against Mortgagor of any involuntary proceedings under such Bankruptcy Act or similar law, such proceedings shall not have been vacated or stayed, or

(iv) The Mortgagor shall be adjudicated a bankrupt, or a trustee or receiver shall be appointed for the Mortgagor or for all or the major part of the Mortgagor's property or the Premises, in any involuntary proceeding, or any court shall have taken jurisdiction of all or the major part of the Mortgagor's property or the Premises in any involuntary proceeding for the reorganization, dissolution, liquidation or winding up of the Mortgagor, and such trustee or receiver shall not be discharged or such jurisdiction relinquished or vacated or stayed on appeal or otherwise stayed within sixty (60) days, or

(v) The Mortgagor shall make an assignment for the benefit of creditors or shall admit in writing its inability to pay its debts generally as they become due or shall consent to the appointment of a receiver or trustee or liquidator of all or the major part of its property, or the Premises, or

e) If default shall continue for thirty (30) days after notice thereof by the Mortgagee to the Mortgagor in the due and punctual performance or observance of any other agreement or condition herein or in the Note contained; or

f) If the Premises shall be abandoned; or

g) If default is made in the maintenance and delivery to Mortgagee of insurance required to be maintained and delivered hereunder, without notice or grace of any kind;

then the Mortgagee is hereby authorized and empowered, at its option, and without affecting the lien hereby created or the priority of said lien or any right of the Mortgagee hereunder, to declare, without further notice, all Indebtedness Hereby Secured to be immediately due and payable, whether or not such default be

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thereafter remedied by the Mortgagor, and the Mortgagee may immediately proceed to foreclose this Mortgage and/or to exercise any right, power or remedy provided by this Mortgage and the Note by the Assignment or by law or in equity conferred.

21. EXPENSES INCURRED BY MORTGAGEE. Any costs, damages, expenses or fees, including attorneys' fees, incurred by Mortgagee in connection with (i) sustaining the lien of this Mortgage or its priority, (ii) obtaining any commitment for title insurance or title insurance policy, (iii) protecting the premises, (iv) protecting or enforcing any of Mortgagee's rights hereunder, (v) recovering any indebtedness secured hereby, (vi) any litigation or proceedings (including, but not limited to, bankruptcy, probate and administrative law proceedings) affecting this Mortgage, the Note, or the Premises, or (vii) preparing for the commencement, defense or participation in any threatened litigation or proceedings as aforesaid or as otherwise enumerated herein, shall be so much additional indebtedness secured hereby and shall be immediately due and payable by Mortgagor, without notice, with interest thereon at the Default Interest Rate.

22. APPLICATION OF DEPOSITS HELD BY MORTGAGEE. With respect to any deposits made with or held by Mortgagee or any depository pursuant to any of the provisions of this Mortgage, in the event of a default in any of the provisions contained in this Mortgage or in the Note secured hereby, Mortgagee may, at its option, without being required to do so, apply any monies or securities which constitute such deposits on any of Mortgagor's obligations herein or in the Note contained, in such order and manner as Mortgagee may elect. When the Indebtedness Hereby Secured has been fully paid, any remaining deposits shall be paid to Mortgagor or to the then owner or owners of the Premises. Such deposits are hereby pledged as additional security for the prompt payment of the Note and any other indebtedness hereunder and shall be held to be irrevocably applied by the depository for the purposes for which made hereunder and shall not be subject to the direction or control of the Mortgagor.

23. FORECLOSURE. When the Indebtedness Hereby Secured, or any part thereof, shall become due, whether by acceleration or otherwise, the Mortgagee shall have the right to foreclose the lien hereof for such Indebtedness or part thereof. In any suit or proceeding to foreclose the lien hereof, there shall be allowed and included as additional indebtedness in the decree for sale, all expenditures and expenses which may be paid or incurred by or on behalf of the Mortgagee for attorneys' fees, appraisers' fees, outlays for documentary and expert evidence, stenographers' charges, publication costs, and costs (which may be estimated as to items to be expended after entry of the decree) of procuring all such abstracts of title, title searches and examinations, title insurance policies, and similar data and assurances with respect to title, as the Mortgagee may deem reasonably necessary either to prosecute such suit or to evidence to bidders at sales which may be had pursuant to such decree, the true conditions of the title to or the value of the premises. All expenditures and expenses of the nature in this Section mentioned, and such expenses and fees as may be incurred in the protection of said Premises and the maintenance of the lien of this Mortgage, including the fees of any attorney employed by the Mortgagee in any litigation or proceedings affecting this Mortgage, the Note or the Premises, including probate and bankruptcy proceedings, or in preparation for the commencement or defense of any proceeding or threatened suit or proceeding, shall be immediately due and payable by the Mortgagor, with interest thereon at the Default Rate.



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24. PROCEEDS OF FORECLOSURE SALE. The proceeds of any foreclosure sale of the Premises shall be distributed and applied in the following order of priority: First, on account of all costs and expenses incident to the foreclosure proceedings, including all such items as are mentioned in Section 24 hereof; Second, all other items which, under the terms hereof, constitute Indebtedness Hereby Secured additional to that evidenced by the Note, with interest on such items as herein provided; Third, to interest remaining unpaid upon the Note; Fourth, to the principal remaining unpaid upon the Note; Fifth, to the extent permitted by law, the amount of any prepayment premium that would otherwise be due and owing if the Mortgage and Note were paid at that time; and lastly, any overplus to the Mortgagor, and its successors or assigns, as their rights may appear.

25. RECEIVER. Upon, or at any time after, the filing of a complaint to foreclose this Mortgage, the court in which such complaint is filed may appoint a receiver of the Premises. Such appointment may be made either before or after sale, without notice, without regard to solvency or insolvency of the Mortgagor at the time of application for such receiver, and without regard to the then value of the Premises or whether the same shall be then occupied as a homestead or not; and the Mortgagee hereunder or any holder of the Note may be appointed as such receiver. Such receiver shall have the power to collect the rents, issues and profits of the Premises during the pendency of such foreclosure suit and, in case of a sale and a deficiency, during the full statutory period of redemption, if any, whether there be a redemption or not, as well as during any further times when the Mortgagor, except for the intervention of such receiver, would be entitled to collection of such rents, issues and profits and all other powers which may be necessary or are usual in such cases for the protection, possession, control, management and operation of the Premises during the whole of said period. The court may, from time to time, authorize the receiver to apply the net income from the Premises in his hands in payment in whole or in part of:

a) The Indebtedness Hereby Secured or the indebtedness secured by any decree foreclosing this Mortgage, or any tax, special assessment or other lien which may be or become superior to the lien hereof or of such decree, provided such application is made prior to the foreclosure sale; or

b) The deficiency in case of a sale and deficiency.

26. INSURANCE UPON FORECLOSURE. In case of an insured loss after foreclosure proceedings have been instituted, the proceeds of any insurance policy or policies shall be used to pay the amount due in accordance with any decree of foreclosure that may be entered in any such proceedings, and the balance, if any, shall be paid as the court may direct. In the case of foreclosure of this Mortgage, the court, in its decree, may provide that the Mortgagee's clause attached to each of the casualty insurance policies may be cancelled and that the decree creditor may cause a new loss clause to be attached to each of said casualty insurance policies making the loss thereunder payable to said decree creditors; and any such foreclosure decree may further provide that in case of one or more redemptions under said decree, pursuant to the statutes in each such case made and provided, then in every such case, each and every successive redeemer may cause the preceding loss clause attached to each casualty insurance policy to be cancelled and a new loss clause to be attached thereto, making the loss thereunder payable to such redeemer. In the event of

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foreclosure sale, the Mortgagee is hereby authorized, without consent of the Mortgagor, to assign any and all insurance policies to the purchaser at the sale, or to take such other steps as the Mortgagee may deem advisable to cause the interest of such purchaser to be protected by any of the said insurance policies.

27. WAIVER. The Mortgagor hereby covenants and agrees that it will not at any time insist upon or plead, or in any manner whatsoever claim or take any advantage of, any stay, exemption or extension law or any so-called "Moratorium Law" now or at any time hereafter in force, nor claim, take or insist upon any benefit or advantage of or from any law now or hereafter in force providing for the valuation or appraisal of the Premises, or any part thereof, prior to any sale or sales thereof to be made pursuant to any provisions herein contained, or to decree, judgment or order of any court of competent jurisdiction.

28. WAIVER OF DEFENSES. No action for the enforcement of the lien of this Mortgage shall be subject to any defense which would not be good and available to the party interposing the same in an action of law upon the Note.

29. PARTIAL PAYMENTS. Acceptance by Mortgagee of any payment which is less than payment in full of all amounts due and payable at the time of such payment shall not constitute a waiver of Mortgagee's right to exercise its option to declare the whole of the principal sum then remaining unpaid, together with all accrued interest thereon, immediately due and payable without notice, or any other rights of the Mortgagee at that time or any subsequent time, nor nullify any prior exercise of such option or such rights of Mortgagee without its express consent except and to the extent otherwise provided by law.

30. TENDER OF PAYMENT AFTER ACCELERATION. Upon default by Mortgagor and following the acceleration of maturity as aforesaid, a tender of payment of the amount necessary to satisfy the entire Indebtedness Hereby Secured made at any time prior to foreclosure sale by Mortgagor, its successors or assigns or by anyone on behalf of Mortgagor, its successors or assigns shall constitute an evasion of the prohibition against prepayment or the premium required in connection therewith, whichever the case may be at the time, and any tender of payment in full following default shall be deemed to be a voluntary prepayment hereunder and such voluntary prepayment to the extent permitted by law, will therefore include the prepayment premium set forth in the Note. In case, after legal proceedings are instituted to foreclose the lien of this Mortgage, tender is made of the entire indebtedness due hereunder, Mortgagee shall be entitled to reimbursement for expenses incurred in connection with such legal proceedings, including such expenditures as are enumerated above, and such expenses shall be so much additional indebtedness secured by this Mortgage, and no such suit or proceedings shall be dismissed or otherwise disposed of until such fees, expenses and charges shall have been paid in full.

31. DELAYS AND OMISSIONS. No delay in the exercise of or failure to exercise any remedy or right accruing or any default under this Mortgage shall impair any such remedy or right to be construed to be a waiver of any such default or acquiescence therein, nor shall it affect any subsequent default of the same or of a different nature.

32. RESCISSION OF ELECTION. Acceleration of maturity, once made by Mortgagee, may, at the option of Mortgagee, be rescinded, and any proceedings brought to enforce any rights or remedies hereunder may, at Mortgagee's option, be discontinued or

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dismissed, whereupon, in either of such events, Mortgagor and Mortgagee shall be restored to their former positions, and the rights, remedies and power of Mortgagee shall continue as if such acceleration had not been made or such proceedings had not been commenced, as the case may be.

33. MORTGAGEE IN POSSESSION. Nothing herein contained shall be construed as constituting the Mortgagee a mortgagee in possession in the absence of the actual taking of possession of the Premises by the Mortgagee.

34. BUSINESS LOAN. It is understood and agreed that the loan evidenced by the Note and secured hereby is a business loan within the purview of Chapter 17, Section 6404, of the Illinois Revised Statutes (1985) or any substitute, amended or replacement statute, transacted solely for the purpose of carrying on or acquiring the business of the Mortgagor or, if the Mortgagor is a Trustee for the purpose of carrying on or acquiring the business of the beneficiaries of the Mortgagor as contemplated by this Section.

35. TITLE IN MORTGAGOR'S SUCCESSORS. In the event that the ownership of the Premises becomes vested in a person or persons other than the Mortgagor, the Mortgagee may, without notice to the Mortgagor, deal with such successor or successors in interest of the Mortgagor with reference to this Mortgage and the Indebtedness Hereby Secured in the same manner as with the Mortgagor. The Mortgagor will give immediate written notice to the Mortgagee of any conveyance, transfer or change of ownership of the Premises, but nothing in this Section 35 contained shall vary or negate the provisions of Sections 18 and 20 hereof.

36. RIGHTS CUMULATIVE. Each right, power and remedy herein conferred upon the Mortgagee, is cumulative and in addition to every other right, power or remedy, express or implied, given now or hereafter existing, at law or in equity, and each and every right, power and remedy herein set forth or otherwise so existing may be exercised from time to time as often and in such order as may be deemed expedient by the Mortgagee, and the exercise or the beginning of the exercise of one right, power or remedy shall not be a waiver of the right to exercise at the same time or thereafter any other right, power or remedy; and no delay or omission of the Mortgagee in the exercise of any right, power or remedy accruing hereunder or arising otherwise shall impair any such right, power or remedy, or be construed to be a waiver of any default or acquiescence therein.

37. SUCCESSOR AND ASSIGNS. This Mortgage and each and every covenant, agreement and other provisions hereof shall be binding upon the Mortgagor and its successors and assigns (including, without limitation, each and every from time to time record owner of the Premises or any other person having an interest therein), and shall inure to the benefit of the Mortgagee and its successors and assigns. Wherever herein the Mortgagee is referred to, such reference shall be deemed to include the holder from time to time of the Note, whether so expressed or not; and each such from time to time holder of the Note shall have and enjoy all of the rights, privileges, powers, options and benefits afforded hereby and hereunder, and may enforce all and every of the terms and provisions hereof, as fully and to the same extent and with the same effect as if such from time to time holder were herein by name specifically granted such rights, privileges, powers, options and benefits and was herein by name designated the Mortgagee.

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38. MORTGAGEE'S RIGHT TO DEAL WITH TRANSFEREE. In the event of the voluntary sale or transfer by operation of law or otherwise, of all or any part of said Premises, Mortgagee is hereby authorized and empowered to deal with such vendee or transferee with reference to said premises, or the debt secured hereby, or with reference to any of the terms or conditions hereof, as fully and to the same extent as it might with Mortgagor, without in any way releasing or discharging Mortgagor from said Mortgagor's covenants and undertakings hereunder, and without Mortgagee waiving its rights to accelerate the Note.

39. DEFINITION OF BENEFICIAL OWNER OF MORTGAGOR. If Mortgagor is a land trust, the Beneficial Owner is hereby defined to be the present or any future beneficiary of the Mortgagor.

40. FUTURE ADVANCES. Mortgagee may, at its option upon request of Mortgagor, at any time before full payment of this Mortgage, make further advances to Mortgagor, and the same with interest shall be on a parity with, and not subordinate to, the indebtedness evidenced by the Note and shall be secured hereby in accordance with all covenants and agreements herein contained, provided, that the amount of principal secured hereby and remaining unpaid shall not, including the amount of such advances, exceed the original principal sum secured hereby, and provided, that if Mortgagee shall make further advances as aforesaid, Mortgagor shall repay all such advances in accordance with the note or notes, or agreement or agreements, evidencing same, which Mortgagor shall execute and deliver to Mortgagee and which shall be payable no later than the maturity of this Mortgage and shall include such other terms as Mortgagee shall require.

41. PROVISIONS SEVERABLE. The unenforceability or invalidity of any provision or provisions hereof shall not render any other provision or provisions herein contained unenforceable or invalid.

42. WAIVER OF DEFENSE. No action for the enforcement of the lien or any provision hereof shall be subject to any defense which would not be good and available to the party interposing the same in an action at law upon the Note.

43. CAPTIONS AND PRONOUNS. The captions and headings of the various sections of this Mortgage are for convenience only, and are not to be construed as confining or limiting in any way the scope or intent of the provisions hereof. Whenever the context requires or permits, the singular shall include the plural, the plural shall include the singular and the masculine, feminine and neuter shall be freely interchangeable.

44. ADDRESSES AND NOTICES. Any notice which any party hereto may desire or may be required to give to any other party shall be in writing, and the mailing thereof by certified mail to the following addresses, or to such other place as any party hereto may by notice in writing designate, shall constitute service of notice hereunder.

a) If to the Mortgagee:

140 Broadway  
New York, New York 10015

b) If to the Mortgagor:

45 Knightsbridge Road  
Piscataway, New Jersey 08845

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Exhibit A

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## NOTE

\$5,000,000.00

New York, New York  
October 10, 1986

For Value Received, GENERAL HEALTH CARE CORPORATION, a Delaware corporation (Company), promises to pay to the order of MARINE MIDLAND BANK, N.A., a national banking association (Bank) at its office at 140 Broadway, New York, New York or, at holder's option, at such other place as may be designated from time to time by the holder, the sum of Five Million Dollars (\$5,000,000.00) in lawful money of the United States of America in twenty (20) installments as follows: nineteen (19) equal consecutive quarterly principal installments of \$156,250.00 each on each December 28, March 29, June 28 and September 28, commencing December 28, 1986 through and including June 28, 1991 and one (1) final payment of \$2,031,250.00 on September 28, 1991.

The Note shall bear interest from the date hereof, before and after maturity, on the balance of principal hereof from time to time unpaid at the applicable per annum rate of interest (Interest Rate) determined in accordance herewith as follows:

(a) For the period from the date hereof to the third anniversary date of the date of this Note (Anniversary Date), the Interest Rate shall be ten and seventy one hundredths percent (10.70%) per annum.

(b) From and after the Anniversary Date to the date on which all amounts due hereunder are paid in full, the Interest Rate shall be one of the two following indices:

(1) Prime Rate plus two percent (2%) per annum. For purposes of this Note, Prime Rate means the rate of interest publicly announced by the Bank from time to time as its prime rate and is a base not for calculating interest on certain loans. The Interest Rate shall change simultaneously with each change in the Prime Rate.

(2) A fixed per annum rate of interest to be negotiated by the Company and the Bank, subject to the approval of the Bank in its sole discretion (Fixed Rate). Such Fixed Rate shall be negotiated at the option of the Company, but in the event of failure by the Bank to have approved such Fixed Rate not later than two (2) months prior to the Anniversary Date, the Interest Rate shall automatically be determined as provided in (1).

Interest shall be payable with each principal installment calculated on the basis of 1/360 of the Interest Rate in effect for each calendar day such balance of principal is unpaid.

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If any installment of principal is not paid when due, such installment shall bear interest until the date of actual receipt at the Interest Rate plus three percent (3%) per annum until paid; provided, however, such installment shall not bear such additional interest if it is not paid when due because it becomes due on a day other than a Saturday, Sunday or other day on which commercial banks in New York, New York or Newark, New Jersey are authorized or required by law to close. In addition, after maturity, whether by acceleration or otherwise, the Interest Rate shall be a per annum rate equal to three percent (3%) in excess of the Prime Rate.

No failure by the holder hereof to exercise, and no delay in exercising, any right or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise by the holder of any right or power hereunder preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the holder as herein specified are cumulative and not exclusive of any other rights or remedies which the holder may otherwise have.

No modification, rescission, waiver, release or amendment of any provision of this Note shall be made except by a written agreement subscribed by duly authorized officers of the Company and the holder hereof.

This Note evidences a borrowing under and is entitled to the benefits of a Senior Loan Agreement between the Company and the Bank dated as of September 27, 1986, to which reference is hereby made with respect to prepayment, collateral and rights of acceleration of the principal hereof on the occurrence of certain events.

The Company hereby waives diligence, presentment, protest and demand, and also notice of protest, demand, dishonor and nonpayment of this Note.

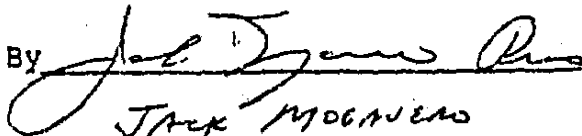
The Company agrees to pay all costs and expenses incurred by the holder in enforcing this Note or in collecting the indebtedness evidenced hereby, including, without limitation, if the holder retains counsel for any such purpose, actual attorneys' fees and expenses.

This Note shall be construed under, and governed by, the internal laws of the State of New York without regard to principles of conflicts of laws.

GENERAL HEALTH CARE CORPORATION

[SEAL]

By

  
JACK MCGOVERN

BASrg  
17426

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EXHIBIT B

LEGAL DESCRIPTION

PARCEL 1

LOTS 11, 12, 13, 14, 15, 16 AND 17 IN BLOCK 2 IN FRED W. BRUMMELL AND COMPANY'S LINCOLN BRYN-MAWR WESTERN SUBDIVISION, BEING A SUBDIVISION OF THE NORTH EAST 1/4 OF THE NORTH EAST 1/4 OF THE NORTH EAST 1/4 OF SECTION 12 AND THAT PART EASTERLY OF LINCOLN AVENUE OF THE WEST 1/2 OF THE EAST 1/2 OF THE NORTH EAST 1/4 OF SAID SECTION 12 (EXCEPTING THEREFROM THAT PART THEREOF LYING SOUTH OF A LINE 200.0 FEET NORTH OF THE NORTH LINE OF BERWYN AVENUE) ALL IN TOWNSHIP 40 NORTH, RANGE 13 EAST OF THE THIRD PRINCIPAL MERIDIAN (EXCEPT STREETS AND ALLEYS) ACCORDING TO THE PLAT OF SAID SUBDIVISION FILED FOR RECORD IN THE RECORDERS OFFICE OF COOK COUNTY, ILLINOIS ON THE 12TH DAY OF APRIL 1923, AS DOCUMENT NO. 7879542 AS CORRECTED BY CERTIFICATE FILED FOR RECORD IN THE RECORDERS OFFICE OF COOK COUNTY, ILLINOIS ON APRIL 30, 1923 AS DOCUMENT NO. 7905451

Permanent Tax Nos.

13-12-207-011-0000 Lot 11

13-12-207-012-0000 Lot 12

13-12-207-013-0000 Lot 13

13-12-207-014-0000 Lots 14, 15, 16, 17 All

PARCEL 2:

LOT 18 AND LOT 19 (EXCEPT THAT PART THEREOF, LYING WEST OF A LINE DRAWN FROM THE NORTH WEST CORNER OF SAID LOT 19 TO A POINT ON THE SOUTH LINE OF SAID LOT, 60 FEET WEST OF THE EAST LINE OF SAID LOT) IN BLOCK 2 IN FRED W. BRUMMELL AND COMPANY'S LINCOLN BRYN MAWR WESTERN SUBDIVISION, OF THE NORTH EAST 1/4 OF THE NORTH EAST 1/4 OF THE NORTH EAST 1/4 OF SECTION 12, AND THAT PART EASTERLY OF LINCOLN AVENUE, OF THE WEST 1/2 OF THE EAST 1/2 OF THE NORTH EAST 1/4 OF SAID SECTION 12 (EXCEPTING THEREFROM THAT PART THEREOF LYING SOUTH OF A LINE 200.0 FEET NORTH OF THE NORTH LINE OF BERWYN AVENUE) ALL IN TOWNSHIP 40 NORTH, RANGE 13 EAST OF THE THIRD PRINCIPAL MERIDIAN (EXCEPT STREETS AND ALLEYS) ACCORDING TO THE PLAT OF SAID SUBDIVISION FILED FOR RECORD IN THE RECORDER'S OFFICE OF COOK COUNTY, ILLINOIS ON THE 12TH DAY OF APRIL 1923, AS DOCUMENT NO. 7879542 AS CORRECTED BY CERTIFICATE FILED FOR RECORD IN THE RECORDER'S OFFICE OF COOK COUNTY, ILLINOIS ON APRIL 30, 1923, AS DOCUMENT NO. 7905451

Permanent Tax Nos.

13-12-207-015-0000 Lot 18

13-12-207-016-0000 E. Lot 19

Address: 5527 N. Maplewood, Chicago

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UNANIMOUS CONSENT OF SHAREHOLDERS AND SOLE DIRECTOR IN LIEU  
OF JOINT SPECIAL MEETING OF SHAREHOLDERS AND DIRECTORS OF  
GENERAL HEALTH CARE CORPORATION

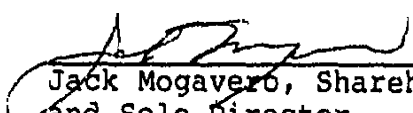
The undersigned, being all of the shareholders and the sole director of General Health Care Corporation, a Delaware corporation, hereby consent to and authorize the adoption of the following resolutions:

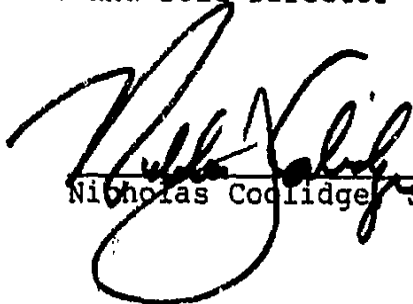
RESOLVED, that the Agreement of Merger merging Sketchley Diaper Services, Inc., a Delaware corporation, into General Health Care Corporation, a Delaware corporation, a copy of which is annexed hereto, be and the same is hereby adopted and approved; and

FURTHER RESOLVED, that the merger shall become effective on the date that a Certificate of Ownership and Merger is filed with the Secretary of State of the State of Delaware; and

FURTHER RESOLVED, that the proper officers of this Corporation be and they hereby are authorized and directed to execute a Certificate of Ownership and Merger, and to cause the same to be filed with the Secretary of State of Delaware and a certified copy recorded in the office of the Recorder of Deeds of New Castle County and the Recorder of Deeds of Kent County, and to file such other documents and do all acts and things whatsoever which may be necessary or proper to effect said merger.

Dated: September 27, 1986

  
\_\_\_\_\_  
Jack Mogavero, Shareholder  
and Sole Director

  
\_\_\_\_\_  
Nicholas Coolidge, Shareholder

AGREEMENT OF MERGER

AGREEMENT OF MERGER, dated as of the 27th day of September, 1986, pursuant to Section 253 of the General Corporation Law of the State of Delaware, between General Health Care Corporation, a Delaware corporation ("General") and Sketchley Diaper Services, Inc., a Delaware corporation ("Sketchley").

WITNESSETH that:

WHEREAS, the constituent corporations desire to merge into a single corporation, as hereinafter specified; and

WHEREAS, Sketchley had its Certificate of Incorporation filed in the office of the Secretary of State of Delaware on January 20, 1984, and recorded in the office of the Recorder of Deeds for the County of Kent on January 23, 1984, and has an authorized capital stock consisting of one thousand (1,000) shares of Common Stock without par value, and one thousand (1,000) shares of such Common Stock are now issued and outstanding; and

WHEREAS, General had its Certificate of Incorporation filed in the office of the Secretary of State of Delaware on August 22, 1986, and recorded in the office of the Recorder of Deeds for the County of New Castle on August 22, 1986, and has an authorized capital stock consisting of three thousand (3,000) shares of Common Stock of which One Hundred (100) shares are now issued and outstanding; and

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WHEREAS, the registered office of Sketchley in the State of Delaware is located at 306 South State Street in the City of Dover, County of Kent, and the name of its registered agent at such address is United States Corporation Company; and the registered office of General in the State of Delaware is located at 1209 Orange Street, in the City of Wilmington, County of New Castle, and the name of its registered agent at such address is The Corporation Trust Company.

NOW, THEREFORE, the corporations, parties to this agreement, in consideration of the mutual covenants, agreements and provisions hereinafter contained, do hereby prescribe the terms and conditions of said merger and mode of carrying the same into effect as follows:

FIRST: General hereby merges into itself Sketchley and Sketchley shall be and hereby is merged into General, which shall be the surviving corporation. General is hereinafter sometimes referred to as the "surviving corporation" and Sketchley is hereinafter referred to as the "merged corporation".

SECOND: Except as hereinabove amended, the Certificate of Incorporation of General shall continue in full force and effect as the Certificate of Incorporation of the corporation surviving the merger.

FOURTH: The manner of converting the outstanding shares of the capital stock of each of the constituent cor-

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porations into the shares of capital stock of the surviving corporation shall be as follows:

(a) Each share of Common Stock of General which shall be outstanding on the effective date of this merger, and all rights in respect thereof, shall forthwith be changed and converted into one share of Common Stock of the surviving corporation.

(b) Each share of Common Stock of Sketchley which shall be outstanding on the effective date of this merger, and all rights in respect thereof, shall be cancelled.

(c) After the effective date of this merger each holder of an outstanding certificate representing shares of Common Stock of the merged corporation shall surrender the same to the surviving corporation and each such holder shall be entitled upon such surrender to receive the number of shares of Common Stock of the surviving corporation on the basis provided herein. Until so surrendered the outstanding shares of the stock of the merged corporation to be converted into the stock of the surviving corporation as provided herein may be treated by the surviving corporation for all corporate purposes as evidencing the ownership of shares of the surviving corporation as though said surrender and exchange had taken place. After the effective date of this agreement, each registered owner of any uncertificated shares of Common Stock of the merged corporation shall have said shares canceled and said registered owner shall be entitled to the number of common shares of the surviving corporation on the basis provided herein.

FIFTH: The terms and conditions of the merger are as follows:

(a) The by-laws of General as they shall exist on the effective date of this merger shall be and remain the by-laws of the surviving corporation until the same



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shall be altered, amended or repealed as therein provided.

(b) The officers of Sketchley on the effective date of the merger shall be the officers of the surviving corporation until their successors shall have been appointed and qualified.

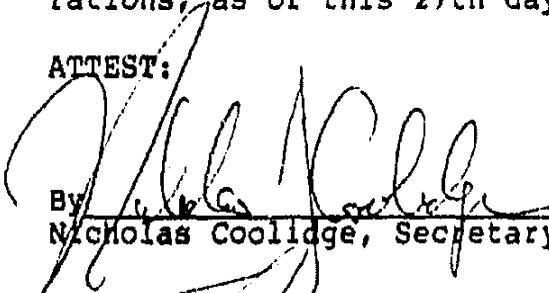
(c) The directors of the surviving corporation shall be Jack Mogavero and Nicholas Coolidge who shall serve until the next meeting of stockholders and until their successors shall have been elected and qualified.

(d) This merger shall become effective upon filing with the Secretary of State of Delaware.

IN WITNESS WHEREOF, the parties to this agreement, pursuant to the approval and authority duly given by resolutions adopted by their respective boards of directors and that fact having been certified on said Agreement of Merger by the Secretary of each corporate party thereto, have caused these presents to be executed by the President and attested by the Secretary of each party hereto as the respective act, deed and agreement of each of said corporations, as of this 27th day of September, 1986.

ATTEST:

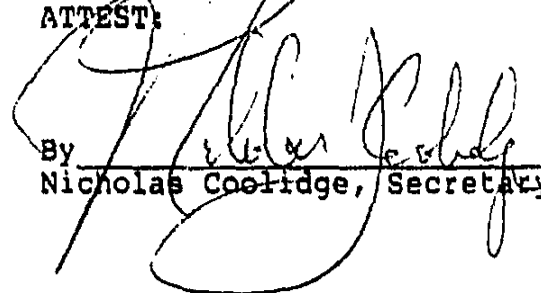
GENERAL HEALTH CARE CORPORATION

By   
Nicholas Coolidge, Secretary

By   
Jack Mogavero, President

ATTEST:

SKETCHLEY DIAPER SERVICES, INC.

By   
Nicholas Coolidge, Secretary

By   
Jack Mogavero, President

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UNANIMOUS CONSENT OF SHAREHOLDERS AND DIRECTORS  
IN LIEU OF JOINT SPECIAL MEETING OF SHAREHOLDERS  
AND DIRECTORS OF GENERAL HEALTH CARE CORPORATION

The undersigned, being all of the shareholders and directors of General Health Care Corporation, a Delaware corporation, hereby consent to and authorize the adoption of the following resolutions:

RESOLVED, that the proper officers of GENERAL HEALTH CARE CORPORATION, successor by merger to Sketchley Diaper Services, Inc. (Company), are, and each of them acting alone is, hereby authorized on behalf of the Company to execute and deliver to MARINE MIDLAND BANK, N.A. (Bank) a loan agreement (Agreement) providing for a loan from the Bank to the Company in the principal amount of \$5,000,000, with interest on the principal balance from time to time unpaid at a per annum rate of 10.7%;

RESOLVED FURTHER, that the proper officers of the Company are, and each of them acting alone is, hereby authorized on behalf of the Company to borrow from the Bank pursuant to the terms of the Agreement and to execute and deliver to the Bank the promissory note of the Company as contemplated by the Agreement;

RESOLVED FURTHER, that the proper officers of the Company are, and each of them acting alone is, hereby authorized on behalf of the Company to execute and deliver to the Bank one or more security interests in all Equipment, Fixtures, Inventory, Accounts, Chattel Paper, Documents, Instruments, and General Intangibles now owned or hereafter owned or acquired by the Company, wherever located, and all proceeds and products thereof, together with appropriate financing statements and other documents as

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deemed necessary by the Bank to perfect such security interests, as continuing collateral security for the payment of any and all indebtedness and liabilities, now or hereafter existing, of the Company to the Bank;

RESOLVED FURTHER, that the proper officers of the Company are, and each of them acting alone is, hereby authorized on behalf of the Company to execute and deliver to the Bank collateral mortgages covering all real property owned by the Company as continuing collateral security for the payment of any and all indebtedness and liabilities, now or hereafter existing, of the Company to the Bank;

RESOLVED FURTHER, that the proper officers of the Company are, and each of them acting alone is, hereby authorized on behalf of the Company to execute and deliver to the Bank such other documents and do any and all other acts necessary or appropriate to effectuate the purposes of these resolutions, including, without limitation, executing and delivering to the Bank any subsequent amendments, extensions, or renewals of the Agreement and any other agreement or instrument contemplated by these resolutions, which any of such persons deems necessary or appropriate; and that any and all documents heretofore executed and acts heretofore done in connection with any financing arrangements with the Bank or to effectuate the purposes of these resolutions are hereby in all respects ratified and confirmed;

RESOLVED FURTHER, that each of the foregoing documents mentioned in these resolutions is in such form and content as the officer of this Company executing them shall approve, his approval to be conclusively evidence by his execution thereof;

RESOLVED FURTHER, that any officer is hereby designated the proper officer of

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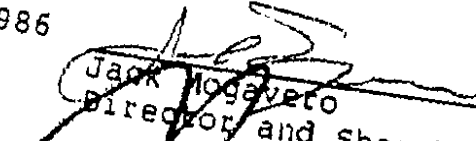


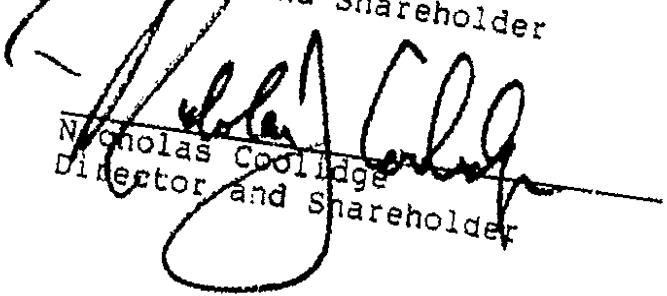
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the Company for the purposes of these resolutions.

Dated: September 27 , 1986

  
Jack Mogavero  
Director and Shareholder

  
Nicholas Coolidge  
Director and Shareholder

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45. COMMITMENT. Mortgagor represents and agrees that the Indebtedness Hereby Secured, represented by the Note, represents the proceeds of a loan made and to be made by Mortgagee to Mortgagor pursuant to a Loan Agreement dated of even date herewith (herein being called the "Loan Agreement"). The Loan Agreement is hereby incorporated herein by reference as fully and with the same effect as if set forth herein at length. Mortgagor hereby covenants and agrees to duly and punctually do and perform and observe all of the terms, provisions, covenants and agreements on its part to be done, performed or observed by the Mortgagor pursuant to the Loan Agreement and in any documents and certificates delivered pursuant thereto are true and correct.

46. INTEREST AT THE DEFAULT RATE. Without limiting the generality of any provision herein or in the Note contained, if there is an Event of Default, all of the Indebtedness Hereby Secured shall bear interest at the Default Rate specified in the Note, which amount shall be calculated from the date any payment became due under the Note.

47. CHOICE OF LAW. This Mortgage and Security Agreement shall be governed by the laws of the State of Illinois.

IN WITNESS WHEREOF, the Mortgagor has caused this Mortgage to be executed by its corporate officers and thereunto duly authorized and the corporate seal to be affixed and attested all on and as of the day, month and year first above written.

[Seal]

GENERAL HEALTH CARE CORPORATION,  
successor by merger to  
Sketchley Diaper Services, Inc.

ATTEST

*Nicholas J. Coolidge*  
Nicholas J. Coolidge, secretary

By:

*Jack Magavero*  
Jack Magavero, President

STATE OF NEW YORK )  
COUNTY OF NEW YORK ) SS.

I, Michael Mills, a Notary Public in and for the County and State aforesaid, do hereby certify that Jack Magavero and Nicholas J. Coolidge, respectively, the President and Secretary of GENERAL HEALTH CARE CORPORATION, successor by merger to Sketchley Diaper Services, Inc. who are personally known to me to be the same persons whose names are subscribed to the foregoing instrument as such officers of said company, respectively, appeared before me this day in person and acknowledged that they signed and delivered the said instrument as their own free and voluntary act and as the free and voluntary act of said company for the uses and purposes therein set forth, and the said Secretary of said company then and there acknowledged that he, as custodian of the corporate seal of said company, did affix such corporate seal to said instrument as his own free and voluntary act and as the free and voluntary act of said company for the uses and purposes therein set forth.

Given under my hand and notarial seal this 10th day of October, 1986.

My commission expires:

3-3-87

*Michael Mills*  
Notary Public

MICHAEL MILLS  
Notary Public, State of New York  
No. 31-0003149  
Qualified in New York County  
Commission Expires March 30, 1987

GALE  
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