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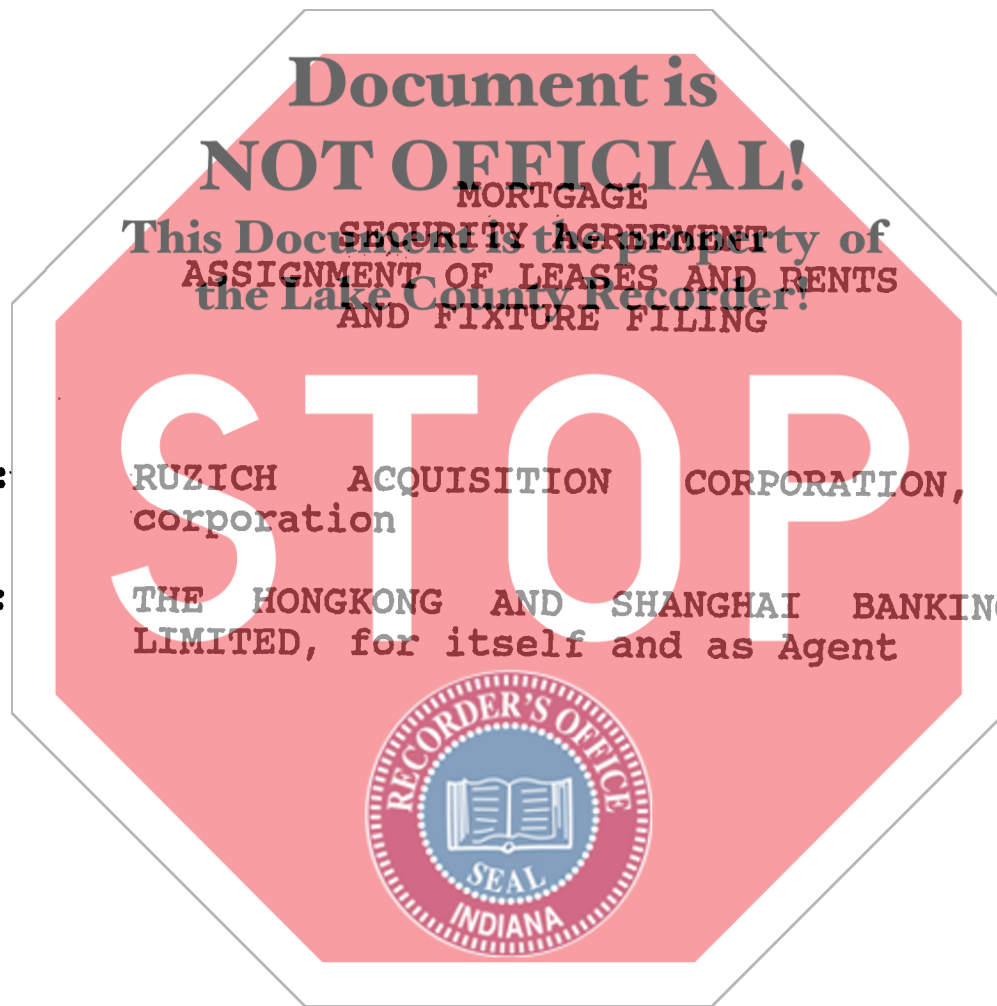
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Recording Requested by and
after Recording mail to:

THE HONGKONG AND SHANGHAI
BANKING CORPORATION LIMITED
700 Fifth Avenue, Suite 4100
Seattle, Washington 98104
Attention: Guy C. Freeman

CHICAGO TITLE INSURANCE COMPANY
INDIANA DIVISION



MORTGAGOR: RUZICH ACQUISITION CORPORATION, an Indiana corporation

MORTGAGEE: THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED, for itself and as Agent

STATE OF INDIANA/S.S. NO.
LAKE COUNTY
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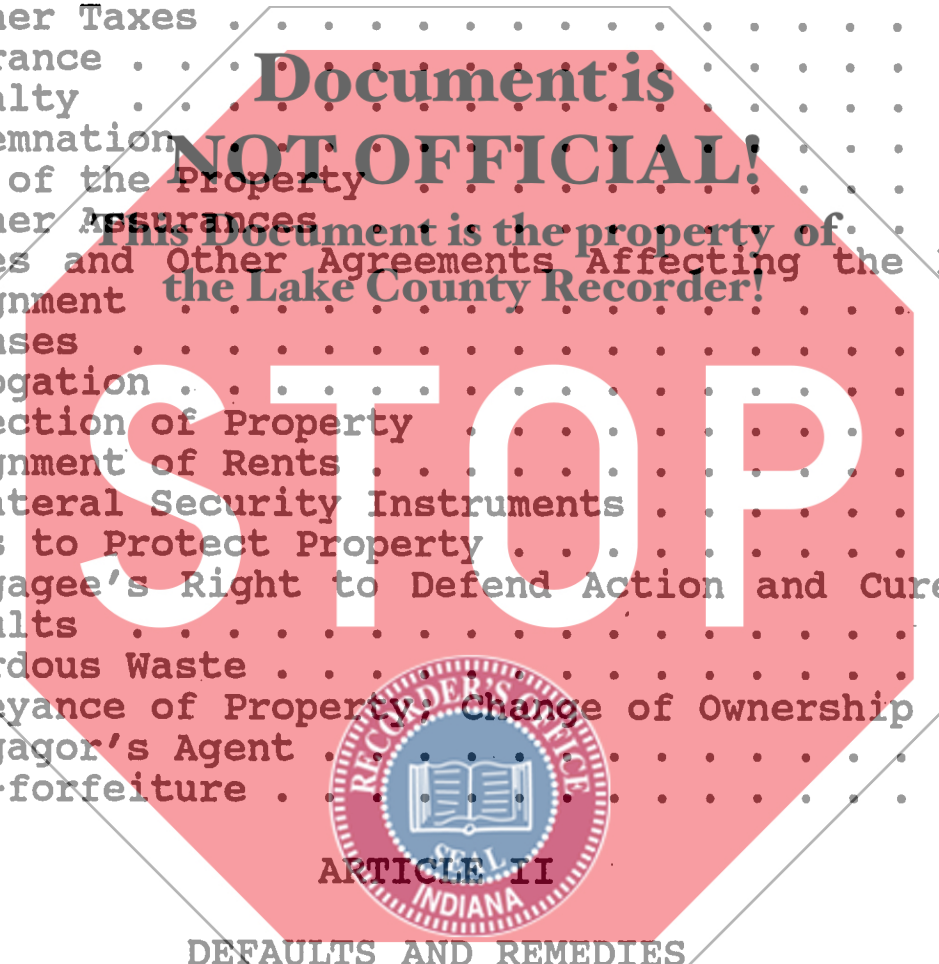
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Exhibit A Legal Description



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

THIS MORTGAGE, SECURITY AGREEMENT, ASSIGNMENT OF LEASES AND RENTS AND FIXTURE FILING ("Mortgage") is made as of this 22nd day of February, 1991, by RUZICH ACQUISITION CORPORATION, an Indiana corporation, as grantor and debtor ("Mortgagor"), whose address is c/o Loewen Group International, 506-4940 Canada Way, Burnaby, B.C., Canada V5G 4K6, to THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED ("Mortgagee"), as Agent for and on behalf of a group of lenders consisting of Mortgagee and certain other lenders (the Mortgagee and such other lenders are hereinafter, collectively, "Lenders"), whose address is 700 Fifth Avenue, Suite 4100, Seattle, Washington, 98104.

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FOR AND IN CONSIDERATION of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, to secure the payment of the indebtedness and the performance of the obligations herein described, MORTGAGOR HEREBY IRREVOCABLY GRANTS, BARGAINS, SELLS, CONVEYS, TRANSFERS, ASSIGNS, MORTGAGES AND WARRANTS:

A. All of its present and future estate, right, title and interest in and to that certain real property located in the County of Lake, State of Indiana, as more particularly described in Exhibit A, attached hereto and made a part hereof, which Mortgagor owns in fee simple, including all hereditaments, appurtenances, easements and rights thereto or used in connection therewith or as a means of access thereto, together with all right, title and interest that Mortgagor now has or may hereafter acquire in the following and any proceeds thereof:

1. All income, rents, royalties, revenues, issues, profits and proceeds from any and all of such real property, subject, however, to the right, power and authority hereinafter conferred upon Mortgagee or reserved to Mortgagor to collect and apply such income, rents, royalties, revenues, issues, profits and proceeds.

2. All deposits or other security or advanced payments, including, without limiting the generality of the foregoing, rental payments, made by or on behalf of Mortgagor to others with respect to (i) utility service for all or any part of said property or any improvements thereon, (ii) insurance policies relating to said property or any improvements thereon, (iii) cleaning, maintenance, repair or similar services for said property or any part thereof or any improvements thereon, (iv) rental of equipment used in the operation of any part of said property or any improvements thereon, and (v) parking services for all or any part of said property.

3. All fixtures now or hereafter affixed to such real property, including all buildings, structures and improvements of every kind and description now or hereafter erected or placed thereon and any and all machinery, boilers, equipment (including, without limitation, all equipment for the generation or distribution of air, water, heat, electricity, light, fuel or refrigeration or for ventilating or air-conditioning purposes or for sanitary or drainage purposes or for the removal of dust, refuse or garbage), fire sprinklers and alarms, control devices, partitions, appliances, furniture, furnishings, cabinets, awnings, window shades, blinds, drapes and drapery rods and brackets, screens, carpeting and other floor coverings, lobby furnishings, incinerators and other property of every kind and description now or hereafter placed, attached, affixed or installed in such buildings, structures or improvements, and all replacements, repairs, additions, accessions or substitutions or proceeds thereto or therefor; but excluding movable trade fixtures owned by tenants leasing space in the Improvements; all of such fixtures, whether now or hereafter placed thereon, being hereby declared to be real property and referred to hereinafter as the "Improvements."

4. All damages, royalties and revenue of every kind, nature and description whatsoever that Mortgagor may be entitled to receive from any person or entity owning or having or hereafter acquiring a right to the oil, gas or mineral rights and reservations of such real property, with the right in Mortgagee to receive and receipt therefor and apply the same to the indebtedness secured hereby either before or after any default hereunder, and Mortgagee shall have the right to demand, sue for and recover any such payments but shall not be required so to do.

5. All proceeds and claims arising on account of any damage to or taking of such real property or the Improvements or any part thereof, and all causes of action and recoveries for any loss or diminution in the value of such real property or the Improvements, including the proceeds of any policy of insurance covering the Improvements.

All of the property conveyed or intended to be conveyed in Paragraph A. above is hereinafter referred to as the "Real Property."

Mortgagor hereby grants to Mortgagee, as secured party, a security interest in any portion of the Real Property owned by Mortgagor which may be construed to be personal property and in all other personal property of every kind and description, whether now existing or hereafter acquired and owned by Mortgagor, now or at any time hereafter attached to, erected upon, situated in or upon, forming a part of, appurtenant to, used or useful in the

construction or operation of or in connection with, or arising from the use or enjoyment of all or any portion of, or from any lease or agreement pertaining to, the Real Property, including:

1. All equipment, machinery, building materials, goods, construction materials, supplies, office equipment, growing plants, motor vehicles, tools, furnishings, furniture, light fixtures, non-structural additions to the Real Property and all other tangible property of any kind or character now or hereafter used in connection with the Real Property, any construction undertaken on the Real Property, any trade, business or other activity for which the Real Property, the maintenance of the Real Property or for the convenience of any guests, licensees or invitees on the Real Property, all regardless of whether located on the Real Property or located elsewhere for purposes of fabrication, storage or otherwise.

2. All goodwill, trademarks, trade names, option rights, purchase contracts, books and records and general intangibles of Mortgagor relating to the Real Property and all accounts, deposit accounts, contract rights, instruments, chattel paper and other rights of Mortgagor for payment of money, for property sold or lent, for services rendered, for money lent, or for advances or deposits made, and any other intangible property of Mortgagor related to the Real Property.

3. All water stock relating to the Real Property, shares of stock or other evidence of ownership of any part of the Real Property that is owned by Mortgagor in common with others, and all documents of membership in any owners' or members' association or similar group having responsibility for managing or operating any part of the Real Property.

4. All plans and specifications prepared for construction of the Improvements and all studies, data and drawings related thereto; and also all contracts and agreements of Mortgagor relating to such plans and specifications or to such studies, data and drawings, or to the construction of Improvements.

5. All licenses (including, but not limited to, any liquor licenses, operating licenses or similar matters), permits, contracts, management contracts or agreements, franchise agreements, permits, authorities or certificates required or used in connection with the construction, ownership, operation or maintenance of the Improvements.

6. All substitutions, accessions, additions and replacements to any of the foregoing; all proceeds of any of the foregoing property, including, without limitation, proceeds of any voluntary or involuntary disposition or claim respecting any such

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property (pursuant to judgment, condemnation award or otherwise) and all goods, documents, general intangibles, chattel paper and accounts, wherever located, acquired with cash proceeds of any of the foregoing or proceeds thereof.

All of the property assigned or transferred or intended to be assigned or transferred to Mortgagee in paragraph B. above is hereinafter referred to as the "Personal Property."

All of the Real Property and the Personal Property is referred to herein collectively as the "Property."

TO HAVE AND TO HOLD said Property bargained and described, together with all and singular the lands, tenements, privileges, water rights, hereditaments and appurtenances thereto belonging or in anywise appertaining, and the reversion and reversions, remainder and remainders, rents, issues and profits thereof, and all of the estate, right, title, claim and demands whatsoever of Mortgagor, either in law or in equity, of, in, and to the above-bargained property forever,

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FOR THE PURPOSE OF SECURING:

ONE: Payment of the indebtedness evidenced by a Promissory Note -- Term Note of even date herewith and any renewals, extensions or modifications thereof and any replacements or substitutions therefor, in the original principal amount of TWO HUNDRED SIXTY-TWO THOUSAND SIX HUNDRED AND NO/100 UNITED STATES DOLLARS (US \$262,600.00), executed by Mortgagor and Paragon Family Services, Inc., a Delaware corporation and delivered to Mortgagee (the "Note"), together with the interest thereon, and the fees and other charges as provided by the Note, which is made a part hereof by reference. Such Note shall mature on July 31, 1995. The Note provides for a variable interest rate, as more particularly described therein.

TWO: Payment of such further sums as Mortgagor may hereafter borrow from Mortgagee when evidenced by another note or instrument reciting it is so secured, payable to Mortgagee or order and made by Mortgagor or any successor in ownership, together with all extensions, renewals, modifications, amendments and replacements thereto.

THREE: Payment of all other amounts agreed or provided to be paid by Mortgagor and such further sums as may be advanced or loaned by Mortgagee to Mortgagor hereunder or under the Note, the Loan Agreement or the other Loan Documents (as defined below).

FOUR: Performance of each agreement of Mortgagor herein contained or contained in that certain Third Master Loan Agreement

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dated as of July 20, 1990 among Loewen Group International, Inc., a Delaware corporation ("International"), Mortgagor, certain affiliates of Mortgagor which are now or may hereafter become parties to such agreement, Mortgagee, as agent on behalf of Lenders, and Lenders (hereinafter, as the same may from time to time be amended or supplemented, called the "Loan Agreement") or any other agreement given by Mortgagor, its affiliates or International to Mortgagee for the purpose of further securing any indebtedness hereby secured (the Note, this Mortgage, the Loan Agreement, and any and all such other agreements being referred to herein as the "Loan Documents").

FIVE: Any judgment rendered on any of the Loan Documents.

MORTGAGOR REPRESENTS, WARRANTS, COVENANTS AND AGREES AS FOLLOWS:

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ARTICLE I
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1.01. Payment of Note and Performance of Mortgage.

Mortgagor will pay the principal, interest and other charges payable under the Note according to its terms without relief from applicable valuation and appraisal laws, and will perform and comply with each and every term, covenant and condition hereof, and of the Note.

1.02. Warranty of Title.

Mortgagor represents and warrants that at the time of the delivery of this Mortgage, (i) Mortgagor is seized in fee simple of the Real Property as shown on Exhibit A and owns outright every part thereof; (ii) there are no liens or encumbrances against or upon the Real Property other than those permitted by Mortgagee on its mortgagee's policy of title insurance insuring the lien of this Mortgage (the "Permitted Encumbrances"), and none will be created or suffered to be created by Mortgagor during the term of this Mortgage, except as have been disclosed to and approved by Mortgagee in writing and upon such terms and conditions as may be satisfactory to Mortgagee, (iii) Mortgagor has good right to make this Mortgage, (iv) Mortgagor has good and absolute title to all existing Personal Property, and has good right, full power and lawful authority to convey and encumber the same in the manner and form conveyed and encumbered hereby; (v) the Personal Property is free and clear of all liens, charges, and encumbrances whatsoever, including, security agreements, conditional sales contracts and anything of a similar nature, and none will be created or suffered to be created by Mortgagor, (vi) except for certain leased

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equipment and vehicles, there is no financing statement covering the Property, or any part thereof, on file in any public office, and (vii) Mortgagor will warrant and forever defend the title to the Property against the claims of all persons whomsoever.

1.03. Tax Deposits.

If required by Mortgagee after the occurrence of an Event of Default hereunder, Mortgagor will pay to Mortgagee or its servicing agent on the first day of each month, together with and in addition to the regular installments due under the Note, an amount equal to one-twelfth (1/12) of the yearly taxes, assessments, other similar charges (including any amounts which may become payable by Mortgagor pursuant to Section 1.05 hereof), and insurance premiums as reasonably estimated by Mortgagee or by Mortgagee's servicing agent to be sufficient to allow the payment at least thirty (30) days before they become due of all taxes, assessments, other similar charges and insurance premiums related to the Property. The arrangement provided for in this Section 1.03 is solely for the added protection of Mortgagee and entails no responsibility on Mortgagee's part beyond the allowing of due credit, without payment of interest or income to Mortgagor, unless specifically required by law, for the sums actually received by it. Those sums received, but not immediately required for payment of the items set forth above, may be commingled with other funds of Mortgagee and invested or otherwise used by Mortgagee without payment to or on behalf of Mortgagor until such time as payment of the items set forth above is required. Upon demand of Mortgagee or its servicing agent, Mortgagor shall promptly deliver to Mortgagee or its servicing agent such additional sums as are necessary to make up any deficiency in the amount necessary to pay such taxes, assessments, other similar charges and insurance premiums in a timely manner. Upon assignment of this Mortgage by Mortgagee, any funds on hand shall be turned over to the assignee and any responsibility of the assignor with respect thereto shall terminate. Each transfer of the Real Property shall automatically transfer to the grantee all rights of the grantor with respect to any funds accumulated hereunder.

1.04. Taxes, Liens and Other Charges.

Mortgagor will pay when due:

(A) All taxes, assessments and other governmental or public charges affecting the Property, including any accrued interest, cost or penalty thereon and will submit receipts therefor to Mortgagee at least ten (10) days before delinquency;

(B) All encumbrances (including any debt secured by mortgages, deeds of trust), ground rents, liens or charges, with

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interest, on the Property or any part thereof, and all costs and fees related thereto (provided that nothing in this Section 1.04(B) shall be construed as a consent by Mortgagee to any such encumbrances, ground rents, liens, or charges). Mortgagor shall have the right to contest the amount or validity, in whole or in part, of any such encumbrances, liens, or charges by appropriate proceedings conducted in good faith and with due diligence, in which event, Mortgagor, upon prior written notice to Mortgagee, may postpone or defer payment of such encumbrance, lien, or charge, if and so long as

(1) such proceedings shall operate to prevent the collection of the encumbrance, lien, or charge;

(2) neither the Property nor any part thereof would by reason of such postponement or deferment be in danger of being forfeited or lost; and

(3) Mortgagor, before the date such encumbrance, lien, or charge becomes delinquent, gives such reasonable security as may be requested by Mortgagee to insure payment of such encumbrance, lien, or charge and prevent any forfeiture or loss of the Property or any part thereof;

(C) All charges for utilities or services, including, but not limited to, electricity, gas, garbage, sewer and water; and

(D) All costs, fees and expenses of this Mortgage, including cost of evidence of title and attorneys' fees required to be paid herein.

Mortgagor's obligations under Section 1.04(A) shall be deemed satisfied if Mortgagor has promptly and properly paid all of such amounts to Mortgagee or its servicing agent pursuant to Section 1.03 hereof.

1.05. Further Taxes.

In the event of the passage, after the date of this Mortgage, of any law deducting from the value of the Property for the purposes of taxation, any lien thereon, or changing in any way the laws now in force for the taxation of mortgages or debts secured by mortgages, or the manner of the collection of any such taxes, so as to affect the Mortgagee's interest in this Mortgage, or imposing payment of the whole or any portion of any taxes, assessments or other similar charges against the Property upon Mortgagee, the indebtedness secured hereby shall immediately become due and payable at the option of Mortgagee; provided, however, that such election by Mortgagee shall be ineffective if such law either (a) shall not impose a tax upon Mortgagee nor increase any tax now

payable by Mortgagee, or (b) shall impose a tax upon Mortgagee or increase any tax now payable by Mortgagee and prior to the due date of such tax: (i) Mortgagor is permitted by law and can become legally obligated to pay such tax or the increased portion thereof (in addition to all interest, and other charges payable hereunder and under the Note) without exceeding the limits imposed by applicable interest rate laws; (ii) Mortgagor does pay such tax or increased portion; and (iii) Mortgagor agrees with Mortgagee in writing to pay, or reimburse Mortgagee for the payment of, any such tax or increased portion thereof when thereafter levied or assessed against the Property or any portion thereof. The obligations of Mortgagor under such agreement shall be secured hereby.

1.06. Insurance

(A) Mortgagor shall obtain and at all times maintain and keep in force: (i) Insurance against loss or damage to the Improvements, by fire and any of the risks covered by insurance now known as "fire and extended coverage" in an amount not less than the full replacement value of the Improvements (exclusive of the cost of foundations, excavations and footings), with a deductible not to exceed \$2,500. These policies of insurance shall contain a "Replacement Cost Endorsement" reasonably satisfactory to Mortgagee; (ii) if requested by Mortgagee, business interruption insurance in such amounts as are reasonably satisfactory to Mortgagee; (iii) during the course of any construction or repair of Improvements, comprehensive public liability insurance (including coverage for construction for Improvements occurring after execution of this Mortgage and completed operations coverage for two (2) years after construction of the Improvements has been completed) on an occurrence basis against claims for personal injury including, without limitation, bodily injury, death or property damage occurring on, or about the Real Property and the adjoining streets, sidewalks and passageways, such insurance to afford immediate minimum protection to a limit of not less than that required by Mortgagee with respect to personal injury or death to any one or more persons or damage to property; (iv) during the course of any construction or repair of any Improvements, workers compensation insurance (including employer's liability insurance, if required by Mortgagee) for all employees of Mortgagor engaged on or with respect to the Real Property in such amounts as are reasonably satisfactory to Mortgagee, or, if such limits are established by law, in such amounts; (v) during the course of any construction or repair of any Improvements, builder's completed value risk insurance against "all risk of physical loss," including collapse and transit coverage, during the construction of such Improvements, with a deductible amount not to exceed \$2,500 in

nonreporting form, covering the total value of work performed in equipment, supplies and materials furnished. Said policy of insurance shall contain the "permission to occupy and completion or occupancy" endorsement; (vi) insurance against loss or damage to the fixtures by fire and other risk covered by insurance of a type generally known as "fire and extended coverage"; (vii) comprehensive public liability insurance and property damage insurance applicable to the Property in amounts satisfactory to Mortgagee; and (viii) such other insurance, and in such amounts, as may be reasonably required from time to time by Mortgagee against the same or other hazards, which insurance may include flood insurance, plate glass insurance and the like; provided, that, all insurance required hereby or thereby may be provided under a blanket policy covering all of the real and personal property owned by Mortgagor wherever located.

(B) All policies of insurance shall be issued by companies and in amounts satisfactory to Mortgagee. All policies of insurance shall include a lender's loss payable endorsement for the benefit of Mortgagee in a form satisfactory to Mortgagee. Mortgagor shall furnish Mortgagee with an original or certified copy of all policies of required insurance. In the case of workers' compensation insurance supplied by a governmental agency or fund, Mortgagor shall also furnish Mortgagee with satisfactory evidence of coverage. At least fifteen (15) days before the expiration of each such policy, Mortgagor shall furnish Mortgagee with evidence satisfactory to Mortgagee of the payment of premiums and the reissuance of a policy so as to continue in force the insurance required by this Mortgage. All policies shall contain a provision that such policies may not be cancelled or amended, which term shall include any reduction in the scope or limits of coverage, without at least thirty (30) days' prior written notice to Mortgagee.

1.07. Casualty.

After the occurrence of any casualty to the Property, whether or not required to be insured against under the policies to be provided by Mortgagor hereunder, Mortgagor shall give prompt written notice thereof to Mortgagee. Mortgagor hereby assigns to Mortgagee all insurance proceeds that it may be entitled to receive, and such proceeds shall be delivered to and held by Mortgagee to be applied first, towards reimbursement of all reasonable costs and expenses of Mortgagee in connection with recovery of same, and then in accordance with the provisions of Section 6 of the Loan Agreement. The application of insurance proceeds to the reduction of the principal balance outstanding on the Note shall not cure any existing default. Interest shall accrue on the Note until proceeds are received and applied. If the proceeds are sufficient to pay in full the indebtedness and

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other sums secured hereby, then any excess proceeds shall be paid over to Mortgagor.

In the event of the foreclosure of this Mortgage or other transfer of the title to the Property in satisfaction, in whole or in part, of the indebtedness secured hereby, all right, title and interest of Mortgagor in and to any insurance policy, or premiums or payments in satisfaction of claims or any other rights thereunder then in force shall pass to the purchaser or grantee notwithstanding the amount of any bid at such foreclosure sale.

1.08. Condemnation.

If the Property or any part thereof is taken or damaged by reason of any public improvement, condemnation proceeding, or conveyance in lieu thereof, or in any other manner, Mortgagee shall be entitled to all compensation, awards and other payments or relief therefor, and shall be entitled, at its option, to commence, appear in and prosecute in its own name any action or proceeding, or to make any compromise or settlement in connection with such taking or damage. All such compensation, awards, damages, rights of action and proceeds are hereby assigned to Mortgagee, who shall, after deducting therefrom all its reasonable expenses, including attorneys' fees, apply proceeds to the reduction of the indebtedness secured hereby. The application of a condemnation award to the reduction of the outstanding principal balance of the Note shall not serve to cure any existing default.

Notwithstanding the foregoing, in the event of a partial taking, Mortgagor may elect to repair the Property so as to ameliorate the damage from the taking, provided that the Property will be practically and legally usable for the use existing before the taking. In such event, Mortgagee shall permit the release of the condemnation proceeds in excess of its expenses in accordance with Section 6 of the Loan Agreement.

If any part of the automobile parking areas included within the Real Property is taken by condemnation, Mortgagor will provide alternate parking facilities in kind, size and location sufficient to comply with all leases for the Property and governmental zoning laws, ordinances or regulations affecting the Property. Mortgagor will furnish to Mortgagee satisfactory assurance of provision of substitute parking free of liens and in conformity with all such leases and zoning laws. If Mortgagor fails to or cannot replace such parking spaces immediately after the taking thereof, Mortgagee shall have the right, at its option, to treat such failure as an Event of Default hereunder entitling Mortgagee to exercise any of its remedies hereunder.

1.09. Care of the Property.

Mortgagor will:

(A) Keep the Property in good condition and repair and not commit or permit any waste or deterioration of the Property or suffer any act or occurrence that would impair the security for the debt secured hereby;

(B) Not remove, demolish or substantially alter any portion of the Property or permit or suffer such to be done, without Mortgagee's prior written consent, (except such alterations as may be required by laws, ordinances or regulations of governmental authorities);

(C) Comply with all laws, ordinances, rules, regulations and orders of governmental authorities now or hereafter affecting the Property or requiring any alterations or improvements to be made thereon, and perform all of its obligations under any covenant, condition, restriction or agreement of record affecting the Property;

(D) Not commit, suffer or permit any act to be done in, upon or to the Property in violation of any law or ordinance or any covenant, condition or restriction affecting the Property;

(E) Do any and all acts which, from the character or use of the Property, may be reasonably necessary to protect and preserve the security of Mortgagee, the specific enumerations herein not excluding the general;

(F) Perform all of Mortgagor's obligations or covenants under any encumbrance affecting the Property, including without limitation, leases, declarations, covenants, conditions, restrictions or other agreements relating to or affecting the Property;

(G) Not create, suffer or permit any lien or encumbrance against or affecting the Property except the Permitted Encumbrances;

(H) Not take or permit to be taken any actions that might invalidate any insurance carried on the Property;

(I) Not permit any new building or additions to existing structures to be erected on the Property without the prior written consent of Mortgagee;

(J) Not initiate or acquiesce in any change in the use or nature of the occupancy of the Property or in any zoning or other land use classification affecting the Property without the prior written consent of Mortgagee;

(K) Ensure that at all times the Property constitutes one or more legal lots capable of being conveyed without violation of any subdivision or platting laws, ordinances, rules or regulations, or other laws regulating the dimension or separation of real property.

1.10. Further Assurances.

If required by Mortgagee at any time during the term of this Mortgage, Mortgagor will execute, acknowledge and deliver to Mortgagee, in form satisfactory to Mortgagee, such chattel mortgages, security agreements or other similar security instruments, in form and substance satisfactory to Mortgagee, covering all property of any kind whatsoever situated on the Property owned by Mortgagor or in which Mortgagor has any interest which, in Mortgagee's judgment, is essential to the operation of the Property. Mortgagor shall further, from time to time, within fifteen (15) days after request by Mortgagee, execute, acknowledge and deliver any financing statement, promissory note, affidavit, certificate, continuation statement or other document as Mortgagee may request in order to perfect, preserve, continue, extend or maintain the security interest under and the priority of this Mortgage and any such chattel mortgage or other security instrument. Mortgagor further agrees to pay all costs incurred by Mortgagee in connection with the preparation, execution, recording, filing and refiling of any such instrument or document including the charges for examining title and the attorney's fee for rendering an opinion as to the validity and priority of the lien of this Mortgage and of such chattel mortgage or other security instrument.

1.11. Leases and Other Agreements Affecting the Property; Assignment.

(A) Leases and Contracts. Mortgagor will fully and promptly keep, observe, perform and satisfy each obligation, condition, covenant and restriction affecting the Property or imposed on it under any agreement between Mortgagor and a third party relating to the Property (including, without limitation, any leases or rental agreements for any portion of the Property (the "Leases") and any contracts relating to the construction, maintenance or management of the Property (the "Contracts") so that there will be no default thereunder and so that the persons obligated thereon shall be and remain at all times obligated to perform thereunder. Mortgagor will not permit to exist any condition, event or fact which could allow or serve as a basis or justification for any such person to avoid such performance. All right, title and interest of Mortgagor in the Leases and the Contracts, together with any purchase option or right of first refusal, are hereby assigned to Mortgagee absolutely and irrevocably and not as additional security. Mortgagor expressly agrees that it is the intention of

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Mortgagor and Mortgagee that such assignment is absolute and shall entitle Mortgagee to collect, subject to the license granted in Section 1.15 hereof, Rents (as defined in Section 1.15) due under the Leases without the taking of any additional steps by Mortgagee (including but not limited to the taking of possession of the Property or the appointment of a receiver). Notwithstanding the foregoing, any purchase option or right of first refusal in any Lease in which Mortgagor is the tenant shall be subject to the license granted in Section 1.15 hereof. Notice of such assignment shall be given to the tenant or tenants thereunder as may be required by Mortgagee.

Without the prior written consent of Mortgagee, Mortgagor shall not make or permit any termination (other than expiration according to the terms of the agreement) or material amendment of any of the Leases or Contracts or in any other manner impair Mortgagee's rights and interest with respect to the Leases or the Contracts. All Leases and Contracts shall be subject to the prior written approval of Mortgagee and the Mortgagee's option may be made superior or subordinate to this Mortgage.

(B) Management Agreements. Mortgagor, or its designees approved in writing by Mortgagee in advance, shall be the exclusive manager of the Property. Any management agreement affecting the Property shall be subject to the prior written approval of Mortgagee, shall expressly subordinate to this Mortgage and the lien hereof, and shall be terminable by Mortgagee or the purchaser at any foreclosure sale upon such sale or transfer in lieu thereof without payment of any fee or other amounts to the manager.

1.12. Expenses.

Mortgagee shall have the right to employ an attorney in connection with their rights under the Loan Documents and Mortgagor shall pay all attorneys' fees, costs and expenses, including expenses of retaking, holding, preparing for sale or selling (including cost of evidence and search of title and the costs and expenses of investigations of the Property for Hazardous Waste (as defined below) and other environmental characteristics) in connection with any action or actions that may be brought for the foreclosure of this Mortgage, possession of the Property, the protection of or the defense of the priority of the lien provided for hereby, the appointment of a receiver, or the enforcement of any and all covenants or rights contained in or secured by this Mortgage. Mortgagor will pay immediately upon demand after expenditure all sums expended or expense incurred by Mortgagee, including, without limitation, reasonable attorneys' fees, under any of the terms of this Mortgage, with interest from date of expenditure at the Default Rate as defined in the Note.

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1.13. Subrogation.

To the extent not prohibited by applicable law, Mortgagee will be subrogated for further security to the lien of and to all rights of any beneficiary, mortgagee or lienholder under any encumbrance, whether or not released of record, paid out of the proceeds of the loan secured by this Mortgage or advanced pursuant to the terms hereof and any of the other Loan Documents.

1.14. Inspection of Property.

Mortgagee is authorized, for itself, the Lenders, its agents or employees, to enter at any reasonable time during normal business hours upon any part of the Property for the purpose of inspecting the same, determining Mortgagor's compliance with the provisions of this Mortgage and for the purpose of performing any of the acts it is authorized to perform under the terms of this Mortgage. Mortgagor agrees to cooperate with Mortgagee to facilitate such inspections.

Mortgagee shall also be entitled to examine all records and documents relating to the Property, or the operations or conduct of any activities thereon, whether such records are in the possession of or under the control of Mortgagor, the Property manager, governmental agencies or entities having jurisdiction over the Property or otherwise. To the extent that such records and documents are not under the control of Mortgagor, Mortgagor shall cooperate with Mortgagee to facilitate such examination.

1.15. Assignment of Rents

Mortgagor hereby absolutely and unconditionally assigns and transfers to Mortgagee all the income, rents, royalties, revenue, issues, profits and proceeds (collectively, the "Rents") of the Property, whether now due, past due or to become due, and hereby gives to and confers upon Mortgagee the right, power and authority to collect the Rents. Mortgagor irrevocably appoints Mortgagee its true and lawful attorney at the option of Mortgagee at any time, either by itself, through an agent or a receiver, to demand, receive and enforce payment, to give receipts, releases and satisfactions, and to sue, either in the name of Mortgagor or in the name of Mortgagee, for all the Rents. It is agreed that neither the foregoing assignment of Rents to Mortgagee, nor the exercise by Mortgagee of any of its rights or remedies under this Section 1.15 or under Section 2.03, nor the appointment of a receiver or possession of the Property by a receiver shall make Mortgagee a "mortgagee-in-possession" or otherwise responsible or liable in any manner with respect to the Property or the use, occupancy or enjoyment or operation of all or any portion thereof, unless and until Mortgagee in person assumes actual possession

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thereof. Nothing herein shall require Mortgagee to have a receiver appointed to collect any Rents, but Mortgagee shall be entitled to such appointment at its option in accordance with Section 2.06 hereof.

Notwithstanding anything to the contrary herein, so long as no Event of Default exists, Mortgagor shall have a license to collect all Rents and to retain, use and enjoy the same, and to exercise any purchase option or right of first refusal granted in any Lease in which Mortgagor is the tenant. Upon any occurrence of an Event of Default hereunder such license shall be automatically revoked and all rights shall revert to Mortgagee who then shall have the right to exercise all of its rights as absolute owner of the Leases and Rents. Mortgagor agrees that payments made by tenants or occupants to Mortgagee shall, as to such tenants, be considered as though made to Mortgagor and in discharge of tenants' obligations to Mortgagor to the extent of such payments. Nothing herein contained shall be construed as obliging Mortgagee to perform any of Mortgagor's covenants under any lease or rental agreement. Mortgagor shall execute and deliver to Mortgagee, upon demand, any further or supplemental assignments deemed desirable by Mortgagee in order to further carry out and confirm the intentions of this Section 1.15 and upon failure of the Mortgagor so to comply, Mortgagee shall have the right to, in addition to any other rights or remedies, at its option, declare all obligations secured by this Mortgage to be immediately due and payable.

1.16. Collateral Security Instruments.

Mortgagor covenants and agrees that if Mortgagee at any time holds additional security for any obligations secured hereby, it shall have the right to enforce the terms thereof or otherwise realize upon the same, at its option, either before or concurrently herewith or after a sale is made hereunder, and may apply the proceeds upon the indebtedness secured hereby without affecting the status of or waiving any right to exhaust all or any other security, including the security hereunder, and without waiving any breach or default or any right of power whether exercised hereunder or contained herein or in any such other security.

1.17. Suits to Protect Property.

Mortgagor agrees to appear in and defend any action or proceeding purporting to affect the security of this Mortgage or any other security for the obligations secured hereby, the interest of Mortgagee. Mortgagor agrees to pay all costs and expenses, including cost of evidence of title and reasonable attorneys' fees in any action or proceeding in which Mortgagee may appear or be made a party, including, but not limited to, foreclosure or other proceedings commenced by those claiming a right to any part of the

Property under any prior or subordinate liens, any forfeiture proceeding, or any action to partition or condemn all or part of the Property, whether or not pursued to final judgment.

1.18. Mortgagee's Right to Defend Action and Cure Certain Defaults.

Mortgagee shall have the right to appear in and defend any action or proceeding at law or in equity or in bankruptcy purporting to affect the Property or any security for the obligations secured hereby. Mortgagee shall be allowed and paid all Mortgagee's costs, charges and expenses, including cost of evidence of title and reasonable attorneys' fees incurred in such action or proceeding in which Mortgagee may appear.

If Mortgagor fails to make any payment or to do any act as herein provided, or in any other Loan Document, then Mortgagee, but without obligation so to do and without notice to or demand upon Mortgagor and without releasing Mortgagor from any obligation hereof, shall have the right to make or do the same in such manner and to such extent as either may deem necessary to protect the security hereof, Mortgagee being authorized to enter upon the Property for such purposes; commence, appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Mortgagee; pay, purchase, contest or compromise any encumbrance, charge or lien that in the judgment of either appears to be prior or superior hereto; and, in exercising any such power, incur any liability, expend whatever amounts in Mortgagee's absolute discretion it may deem necessary therefor, including cost of evidence of title and attorneys' fees.

Mortgagor hereby agrees to pay on demand, with interest at the Default Rate from the date of expenditure, all of Mortgagee's costs, charges, expenses and amounts referred to above in this Section 1.18, including cost of evidence of title and reasonable attorneys' fees incurred in such action or proceeding in which Mortgagee may appear. All costs, charges and expenses so incurred, together with interest thereon as aforesaid, shall be secured by the lien of this Mortgage.

1.19. Hazardous Waste.

At its sole cost and expense, Mortgagor shall comply with all federal, state and local laws, rules, regulations and orders with respect to the use, discharge, generation, removal, transportation, storage or handling of hazardous or toxic waste, substances, materials, pollutants, or contaminants ("Hazardous Wastes"), pay immediately when due the cost of removal of any Hazardous Wastes, and keep the Property free of any lien imposed pursuant to such laws, rules, regulations and orders. If Mortgagor fails to do so

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following the applicable cure period, if any, contained herein, Mortgagee shall have the right to declare this Mortgage to be in default. In addition, Mortgagor hereby grants Mortgagee and its employees and agents an irreversible nonexclusive license to enter the Property to conduct testing and to remove the Hazardous Waste, and the cost of such testing and removal shall immediately become due to Mortgagee, bear interest at the Default Rate, and shall be secured by this Mortgage. This license shall not be deemed to impose any obligation or liability on Mortgagee for the removal or failure to remove any Hazardous Wastes.

Mortgagor shall not allow to remain or install or permit to be installed in the Improvements any friable asbestos or any substance containing asbestos or deemed hazardous by federal, state or local laws, rules, regulations or orders respecting such materials, with the exception of formaldehyde and other chemicals utilized in the routine operation of a funeral home. With respect to any such materials currently present in the Improvements, Mortgagor shall promptly comply with such federal, state or local laws, rules, regulations or orders, at Mortgagor's expense. If Mortgagor fails to so comply following the applicable cure period as set forth herein, Mortgagee may declare this Mortgage to be in default.

To the best of the Mortgagor's knowledge, after diligent inquiry and investigation, none of the Property is within the definition of the term "property" contained in Section 6 (IC 13-7-22.5-6) of the Indiana Responsible Property Transfer Law ("IRPTL") (IC 13-7-22.5) and the transaction evidenced by this Mortgage is not subject to the provisions of said act. Mortgagor shall not allow any of the Mortgaged property located within Indiana to become subject to or constitute "property" subject to IRPTL.

1.20. Conveyance of Property; Change of Ownership.

In the event that, without Mortgagee's prior written consent, (i) all or any part of or any interest in the Property is sold, transferred, conveyed, leased, further encumbered, or a contract of sale or other conveyance entered into with respect thereto, or (ii) there is a transfer of any beneficial interest in Mortgagor, including issuance, transfer, assignment or conveyance of legal or beneficial ownership of any shares of Mortgagor, then, upon the occurrence of any one or more of the foregoing events, Mortgagee shall have the right, at its option, to declare all amounts secured hereby immediately due and payable.

Upon written consent by Mortgagee to the transfer or conveyance of the Property or interest in Mortgagor, Mortgagee reserves the right to charge an assumption or transfer fee and to otherwise condition its consent.

The execution and delivery by the Mortgagor of any joint venture agreement, partnership agreement, declaration of trust, option agreement or other instrument whereunder any other person or corporation may become entitled, directly or indirectly, to the possession or enjoyment of the Property, or the income or other benefits derived or to be derived therefrom shall in each case be deemed to be a conveyance or assignment of the Mortgagor's interest in the Property for the purposes of this section, and shall require the prior written consent of the Mortgagee.

1.21. Mortgagor's Agent.

In accordance with the Loan Agreement, Mortgagor hereby agrees that any notices to which it is entitled hereunder and/or demands made on Mortgagor need only be given to International as its Agent. Further, in accordance with the Loan Agreement, Mortgagee is entitled to rely on all acts undertaken by International as Mortgagor's agent.

1.22. Anti-foreclosure.

Mortgagor hereby further expressly represents and warrants to Mortgagee that there has not been committed by Mortgagor or any other person involved with the Property any act or omission affording the federal government or any state or local government the right of forfeiture as against the Property or any part thereof or any monies paid in performance of its obligations under this Note or under any of the other Loan Documents, and Mortgagor hereby covenants and agrees not to commit, permit or suffer to exist any act or omission affording such right of forfeiture. In furtherance thereof, Mortgagor hereby indemnifies Mortgagee and agrees to defend and hold Mortgagee harmless from and against any loss, damage or injury by reason of the breach of the covenants and agreements or the warranties and representations set forth in the preceding sentence. Without limiting the generality of the foregoing, the filing of formal charges or the commencement of proceedings against Mortgagor, Mortgagee or all or any part of the Property under any federal or state law for which forfeiture of the Property or any part thereof or of any monies paid in performance of Mortgagor's obligations under the Loan Documents shall, at the election of the Mortgagee, constitute an Event of Default hereunder without notice or opportunity to cure.

ARTICLE II

DEFAULTS AND REMEDIES

2.01. Events of Default.

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If any of the following events shall occur ("Events of Default"):

(A) Default in payment when due of any indebtedness evidenced by the Note or secured hereby that is not cured within the applicable cure period provided in the Loan Agreement; or

(B) Failure by Mortgagor to comply with any of the covenants, terms, conditions, restrictions or agreements contained in this Mortgage, the Note, the Loan Agreement, or any of the other Loan Documents that is not cured within the applicable cure period, if any, provided in the Loan Agreement; or

(C) Any Event of Default occurs under the Loan Agreement or any other Loan Document, whether such default is by Mortgagor, Borrower, Parent, International, an Affiliate (as such terms are defined in the Loan Agreement), or any other person or entity;

Then and in any such event, Mortgagee shall be entitled to exercise all rights, and shall have the benefit of all remedies provided by law, in equity, or set forth in this Mortgage or in any of the other Loan Documents, including the right to declare all sums secured hereby immediately due and payable. No waiver by Mortgagee of any default on the part of Mortgagor shall be construed as a waiver of any subsequent default hereunder.

2.02. Remedies. Upon the occurrence of any Event of Default, Mortgagee at its option may:

(A) by notice to Mortgagor, declare all of the indebtedness secured hereby to be immediately due and payable, and upon such declaration all of such indebtedness shall become and be immediately due and payable, anything in this Mortgage or other Loan Documents to the contrary notwithstanding;

(B) after such proceedings as may be required by any applicable law or ordinance, either in person, or by its agents or attorneys, or by a court-appointed receiver, enter into and upon all or any part of the Property and each and every part thereof and exclude Mortgagor, its agents and servants wholly therefrom; and having and holding the same, use, operate, manage and control the Property and conduct the business thereof, either personally or by its superintendents, managers, agents, servants, attorneys or the receiver; and upon every such entry, at the expense of the Property, from time to time, either by purchase, repairs or construction, maintain and restore the Property and, likewise make all necessary or proper repairs, renewals and replacements and such alterations, betterments, additions and improvements thereto and thereon as to it may seem advisable; and in every such case

Mortgagee shall have the right to manage and operate the Property and to carry on the business thereof and exercise all rights and powers of Mortgagor as its attorney-in-fact, or otherwise, as it shall deem best; and Mortgagee shall be entitled to collect and receive all earnings, revenues, rents, issues, profits and income of the Property and after deducting the expenses of conducting the business thereof and all maintenance, repairs, renewals, replacements, alterations, additions, betterments and improvements and amounts necessary to pay for taxes, assessments, insurance and prior or other proper charges upon the Property or any part thereof, as well as just and reasonable compensation for the services of Mortgagee and for all attorneys, counsel, agents, clerks, servants and other employees engaged or employed by it, Mortgagee shall apply the monies arising as aforesaid, first to the payment of the indebtedness secured hereby, whether or not then matured; then to the payment of any other sums required to be paid by Mortgagor under this Mortgage; and the balance, if any, shall be turned over to Mortgagor or such other person as may be lawfully entitled thereto;

(C) with or without entry, personally or by its agents or attorneys insofar as applicable:

(i) foreclose this Mortgage in accordance with the laws of the State of Indiana and the provisions hereof for the entire indebtedness secured hereby or for any portion of such indebtedness or any other sums secured hereby which are then due and payable, subject to the continuing lien of this Mortgage for the balance of the indebtedness not then due; or

(ii) take such steps to protect and enforce its rights whether by action, suit or proceeding in equity or at law for the specific performance of any covenant, condition or agreement in any Loan Document or in this Mortgage, or in aid of the execution of any power herein granted, or for any foreclosure hereunder, or for the enforcement of any other appropriate legal or equitable remedy or otherwise as the Mortgagee shall elect.

(D) Mortgagee shall have the option to proceed with foreclosure in satisfaction of any part of the obligations secured hereby without declaring the whole of such obligations as immediately matured, and such foreclosure may be made subject to the unmatured part of such obligations. It is agreed that such foreclosure, if so made, shall not in any manner affect the unmatured part of the obligations secured hereby, but as to such unmatured part, this Mortgage, as well as the other Loan Documents, shall remain in full force and effect just as though no foreclosure had been made. Several foreclosures may be made without exhausting the right of foreclosures for any unmatured part of such

obligations, it being the purpose to provide for a foreclosure of the security for any matured portion of the obligations secured hereby without exhausting the power of foreclosure respecting the Property for any other part of such obligations.

2.03 Sale; Other Remedies.

(A) In case of a foreclosure, all of the Property may be sold in one parcel notwithstanding that the proceeds of such sale exceed or may exceed the indebtedness secured hereby. Moreover, Mortgagee shall not be required to proceed hereunder before proceeding against any other security, shall not be required to proceed against other security before proceeding hereunder, and shall not be precluded from proceeding against any or all of any security in any order or at the same time.

(B) Mortgagee, in any action to foreclose this Mortgage, shall be entitled (and, to the extent permitted under the laws of the State of Indiana, without notice, without regard to the adequacy of any security for the debt and without regard to the solvency of any person, partnership or entity liable for the payment thereof) to the appointment of a receiver of the income, issues, rents and profits of the Property.

(C) Mortgagor agrees, to the full extent that it may lawfully do so, that in any foreclosure or other action brought by Mortgagee hereunder, it will not at any time insist upon or plead or in any way take advantage of any appraisement, valuation, stay, marshalling of assets, extension, redemption or moratorium law now or hereafter in force and effect so as to prevent, hinder or delay the enforcement of the provisions of this Mortgage or any rights or remedies Mortgagee may have hereunder or by law.

(D) If an Event of Default shall occur and be continuing hereunder and Mortgagee shall elect to accelerate the indebtedness secured hereby, Mortgagor, within fifteen (15) days after demand will pay over to Mortgagee, or any receiver appointed in connection with the foreclosure of this Mortgage, any and all amounts then held as security deposits under all Leases.

(E) Upon the happening of any Event of Default hereunder, and in addition to all other rights of Mortgagee provided herein or by law, Mortgagor shall, on demand, surrender possession of the Property to Mortgagee, and Mortgagor hereby consents that Mortgagee may exercise any or all of the rights specified in Section 2.02 above, and Mortgagor hereby irrevocably appoints Mortgagee its attorney-in-fact, coupled with an interest, of Mortgagor for such purposes. In the event that Mortgagor is an occupant of the Property, it agrees to surrender possession of that part of the Property which it occupies to Mortgagee immediately upon any

acceleration event or Event of Default hereunder, and if Mortgagor remains in possession, such possession shall be as tenant of Mortgagee, and Mortgagor agrees to pay monthly in advance to Mortgagee such rent for the premises so occupied as Mortgagee may demand, and in default of so doing, Mortgagor may also be dispossessed by summary proceedings or otherwise. In case of the appointment of a receiver of the income, issues, rents and profits of the Property, the covenants of this Section 2.03(E) may be enforced by such receiver. Mortgagor for itself and for all persons claiming under it or who may become holders of liens junior to the lien hereof hereby waives and releases all rights to direct the order in which any of the Property can be sold at any sale or sales pursuant thereto.

(F) Any court-appointed receiver of all or any part of the Property shall be an agent of the court appointing such receiver and not an agent of Mortgagee, and no acts of such receiver shall be deemed to be acts of Mortgagee.

(G) Upon any foreclosure sale, Mortgagee may, after allowing for the proportion of the total purchase price to be paid in cash and for the cost and expenses of the sale, compensation and other charges, in paying the purchase price apply any portion of or all sums secured hereby, in lieu of cash, to the amount which shall, upon distribution of the net proceeds of such sale, be payable thereon.

(H) Mortgagor agrees that Mortgagee or any court having jurisdiction to foreclose the lien of this Mortgage may sell the Property in part or as an entirety.

(I) Mortgagee may proceed as to the Personal Property in accordance with Mortgagee's rights and remedies in respect to real property or sell the Personal Property separately and without regard to the remainder of the Property in accordance with Mortgagee's rights and remedies provided by the applicable Uniform Commercial Code as well as other rights and remedies available at law or in equity.

2.04. Effect of Foreclosure on Leases.

Mortgagee shall have the right, at its option, to foreclose this Mortgage subject to the rights of any tenants of the Property, and the failure to make any tenants a party defendant to any foreclosure proceeding will not be asserted by the Mortgagor as a defense in any action or suit instituted to collect the indebtedness secured hereby or any deficiency remaining after foreclosure. Any such tenant whom Mortgagee elects to not make a party or subject to any foreclosure action shall continue in

possession of its leasehold for the unexpired term of its lease and shall attorn to Mortgagee or other purchaser at the sale.

2.05. Sale in Parcels.

The Property, real, personal or mixed, may be sold as an entirety or in parcels, by one sale or by several sales held at one time or at different times, all as Mortgagee, in its unrestricted discretion, may elect. Mortgagor, for and on behalf of itself and all persons claiming by, through or under Mortgagor, waives any and all right to have the Property marshalled upon any foreclosure sale and agrees that, upon foreclosure, the Property may be sold as an entirety and not in parcels.

2.06. Appointment of Receiver.

Mortgagee, separately or in any action to foreclose this Mortgage, shall be entitled (without notice and without regard to the adequacy of any security for the Note or the absence of waste or deterioration of the Property) to the appointment of a receiver of the Rents of the Property who shall have, in addition to all the rights and powers customarily given to and exercised by such receiver, all the rights and powers granted to Mortgagee by the covenants contained herein.

2.07. Additional Provisions.

The Loan Agreement contains or incorporates by reference the entire agreement of the parties with respect to matters contemplated herein and supersedes all prior negotiations. The Loan Agreement grants further rights to Mortgagee and contains further agreements and affirmative and negative covenants by Mortgagor which apply to this Mortgage and to the Property and which are incorporated herein by this reference.

2.08. Permitted Remedies.

Any provisions in this Mortgage to the contrary notwithstanding, to the extent the laws of the State of Indiana limit (i) the availability of the exercise of any of the remedies set forth herein, including without limitation the remedies involving a power of sale on the part of Mortgagee and the right of Mortgagee to exercise self-help in connection with the enforcement of the terms of this Mortgage, or (ii) the enforcement of waivers and indemnities made by Mortgagor, such remedies, waivers, or indemnities shall be exercisable or enforceable if, and to the extent, permitted by the laws in force at the time of the exercise of such remedies or the enforcement of such waivers or indemnities without regard to the enforceability of such remedies,

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waivers or indemnities at the time of the execution and delivery of this Mortgage.

2.09. Deficiency Judgment.

Anything contained in I.C. 32-8-16-1.5 to the contrary notwithstanding, no waiver made by Mortgagor or in any of the other terms and provisions of the Loan Documents shall constitute the consideration for or be deemed to be a waiver or release by Mortgagee or any judgment holder of the indebtedness or obligations hereby secured of the right to seek a deficiency judgment against the Mortgagor or any other person or entity who may be personally liable for the indebtedness or obligations hereby secured, which right to seek a deficiency judgment is hereby reserved, preserved and retained by Mortgagee for its own behalf and its successors and assigns.

**Document is
NOT OFFICIAL!**

**ARTICLE III
GENERAL COVENANTS
This Document is the property of
the Lake County Recorder!**

3.01. No Waiver.

Mortgagor covenants and agrees that the acceptance by Mortgagee of any sum secured hereby after its due date, or in an amount less than the sum then due, shall not constitute a waiver by Mortgagee of its rights either to require prompt payment when due of all other sums so secured or to declare a default or exercise such other rights as herein provided for failure so to pay. No failure by Mortgagee to insist upon strict performance of any term, covenant or condition hereof, nor failure to exercise any right or remedy hereunder, shall constitute a waiver of any such breach of such term, covenant or condition or of the later exercise of such right or remedy. All waivers shall be in writing.

3.02. Remedies Cumulative.

No remedy herein conferred upon or in the Note or Loan Agreement or reserved to Mortgagee is intended to be exclusive of any other remedy herein or in the Note or Loan Agreement or by law provided or permitted, but each shall be cumulative and shall be in addition to every other remedy given hereunder or under the Note or Loan Agreement or now or hereafter existing at law or in equity or by statute.

3.03. Defeasance.

Upon satisfaction and performance of all obligations secured hereby or contained herein, Mortgagee shall deliver a satisfaction of this Mortgage in recordable form. Mortgagor agrees to pay

Mortgagee's fee for satisfaction of mortgage, together with a recording fee.

3.04. Notices.

All notices hereunder shall be deemed to have been duly given if mailed by United States registered or certified mail (return receipt requested and postage prepaid), sent by a reputable overnight delivery service, or personally delivered to the parties at the addresses set forth on page one of this Mortgage (or at such other addresses as shall be given in writing by any party to the other), and shall be deemed complete upon any such mailing, sending or delivery.

3.05. Heirs and Assigns; Terminology.

This Mortgage applies to, inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and assigns. The term "Mortgagor" shall mean both the original Mortgagor and any subsequent owner or owners of any of the Property. The term "Mortgagee" shall mean the owner and holder, including pledgees, of the Note, whether or not named as Mortgagee herein. In this Mortgage, whenever the context so requires, the masculine gender includes the feminine and/or neuter, and the singular number includes the plural. The term "and/or" as used herein means one or the other or both, or any one or all, or any combination of the things or persons in connection with which the words are used.

The captions are inserted only as a matter of convenience and for reference, and in no way define, limit or describe the scope or intent of this Mortgage nor in any way affect this Mortgage.

3.06. Severability.

If any provision hereof should be held unenforceable or void, then such provision shall be deemed separable from the remaining provisions and shall in no way affect the validity of this Mortgage, except that if such provision relates to the payment of any monetary sum then Mortgagee may, at its option, declare the indebtedness and all other sums secured hereby immediately due and payable, provided that no prepayment fee shall be payable in the event Mortgagee elects to exercise the option to accelerate contained in this Section 3.06.

Mortgagor acknowledges and agrees that this document constitutes, among others, three separate agreements: a Mortgage, a Security Agreement and an Assignment of Leases and Rents, each of

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which may be construed and enforced independently of the others even though the provisions hereof are common to all.

3.07. Time Is of the Essence.

Time is of the essence hereof in connection with all obligations of Mortgagor herein or in the Note. By accepting payment of any sum secured hereby after its due date, Mortgagee does not waive its right either to require prompt payment when due of all other sums so secured or to declare default for failure so to pay.

3.08. Jury Trials.

It is mutually agreed by Mortgagor and Mortgagee that they each waive trial by jury in any action, proceeding, or counterclaim brought by either of them against the other on any matter whatsoever arising out of or in any way connected with the Note, this Mortgage or the loan secured hereby.

3.09. Security Agreement and Fixture Filing.
**This Document is the property of
the Lake County Recorder!**

This Mortgage creates a lien on the Property, and to the extent the Property is not real property under applicable law this Mortgage constitutes a security agreement under the applicable Uniform Commercial Code and any other applicable law. If required by Mortgagee, at any time during the term of this Mortgage, Mortgagor will execute and deliver to Mortgagee, in form satisfactory to Mortgagee, additional security agreements, financing statements or other instruments covering all Personal Property or fixtures of Mortgagor which may at any time be furnished, placed on, or annexed or made appurtenant to the Real Property or used, useful or held for use in the operation of the Improvements. Mortgagee is hereby authorized to sign and file any such financing or continuation statements on behalf of Mortgagor.

Part of the Property is or may become fixtures. It is intended that, as to such fixtures, this Mortgage shall be effective as a financing statement filed as a fixture filing from the date of the filing of the Mortgage for record with the Recorder of Marion County, Indiana. The information provided in this paragraph is provided in order that this Mortgage shall comply with the requirements of the Uniform Commercial Code as enacted in the State of Indiana, for a mortgage instrument to be filed as a financing statement. The Mortgagor is the "Debtor" and its name and mailing address are set forth in the preamble of this Mortgage. The "Secured Party" is the Mortgagee and its name and mailing address from which information concerning the security interest granted herein may be obtained are as set forth in the preamble of this Mortgage. A statement describing the portion of the Property comprising the fixtures hereby secured is set forth herein.

The Real Property which is the subject of this Mortgage is not used principally or primarily for agricultural or farming purposes.

3.11. Governing Law.

This Mortgage, and the rights and obligations hereunder of each of the parties hereto, shall be governed by and construed in accordance with the laws of the state of Washington. Notwithstanding the foregoing, the laws of the state of Indiana shall govern matters arising hereunder concerning the procedures for the exercise of remedies against the Property and enforcement of this Mortgage.

3.12. Authority.

The undersigned person executing this Mortgage on behalf of Mortgagor represents and certifies that he is a duly elected officer of Mortgagor and has been fully empowered, by proper resolution of the Board of Directors of Mortgagor, to execute and deliver this Mortgage; that Mortgagor has full corporate capacity to Mortgage the real estate described herein; and that all necessary corporate action for the making of such Mortgage has been taken and done.

NOW, THEREFORE, if the Note and all other obligations which in accordance with the provisions hereof shall be secured hereby, and any extensions or renewals thereof, shall be well and truly paid according to its and their tenor, and if all agreements and provisions contained in all such obligations and herein are fully kept and performed, then this Mortgage shall become null and void, or, if required under the laws of the State of Indiana, shall be released in recordable form at the cost of the Mortgagor; otherwise to remain in full force and effect.

IN WITNESS WHEREOF, Mortgagor has executed this instrument as of the date first written above.

RUZICH ACQUISITION CORPORATION, an Indiana corporation

By

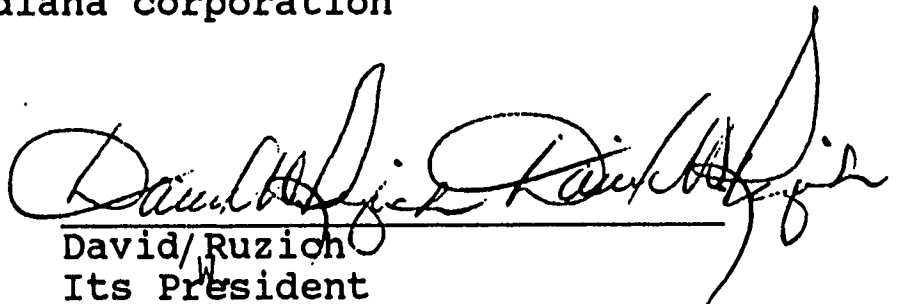

David Ruzich
Its President

EXHIBIT A LEGAL DESCRIPTION

Lot 48 and the Southeasterly Half of Lot 47, of Whittings, a Subdivision of that part of the Southwest Quarter of the Northeast Quarter of Section 7, Township 37 North, Range 9 West of the 2nd P.M., lying North of the Center of the Highway known as the Indiana Boulevard, In the City of Whiting, as shown in Plat Book 2, Page 52, in Lake County, Indiana.



STATE OF INDIANA)
)
COUNTY OF LAKE)

On this 25th day of February, 1991, before me, the undersigned, a Notary Public in and for the State of Indiana, duly commissioned and sworn, personally appeared David Ruzich to me known to be the President of RUZICH ACQUISITION CORPORATION, an Indiana corporation, the corporation that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of the said corporation, for the uses and purposes therein mentioned, and on oath stated that he is authorized to execute the said instrument.

WITNESS my hand and official seal hereto affixed the day and year in this certificate above written.

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the Lake County Recorder!

Leah Susanne Anderson
LEAH SUSANNE ANDERSON
NOTARY PUBLIC in and for the
State of Indiana residing
at Lake County
Commission expires April 7, 1991



This instrument was prepared by Shannon J. Skinner
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