

between 21st Century Health Systems, an Indiana partnership ("Sublandlord") and Pafco Enterprises, Inc., a Delaware corporation ("Subtenant"), whereas the sublandlord has agreed to lease to the subtenant certain real property, furniture, fixtures, and equipment in a business entity commonly known as Merrillville Convalescent Center, a 180 bed skilled and intermediate care nursing facility located in Merrillville, Indiana, as well as certain land adjacent to said facility.

(k) Memorandum of Lease for a fixed term for additional terms, contingent upon lessor's underlying right to grant such extensions, from 21st Century Health Systems, an Indiana partnership, ("Lessor"), to Pafco Enterprises, ("Lessee"), dated September 1, 1989 and disclosed by a Memorandum of Lease recorded December 13, 1989 as Document No. 074367.

(l) Security interest in fixtures at 300 West 601st Avenue, Hobart, Indiana, 46342, as shown by financing statement from Merrillville CT Associates, Ltd., a limited partnership, to Bank of Indiana, National Association, (now known as Bank One, Merrillville), Loan Department, filed in the Office of the Recorder of Lake County, Indiana, on June 30, 1988 as Document No. 293586.

(m) Right, title and interest of Sterling Care Group, Ltd., a Delaware corporation, in and to the land as evidenced by an option purchase agreement contained in instrument recorded May 10, 1991, as Document No. 91022310.

(n) Right, title and interest of 21st Century Health Systems, Inc., an Indiana general partnership, in and to the land as evidenced by various instruments of record in the Recorder's Office of Lake County, Indiana, in particular, an assignment dated September, 1, 1989 and recorded December 13, 1989, as Document No. 074363, wherein 21st Century Health Systems, Inc., a Georgia corporation, assigns, sells, sets over and transfers to 21st Century Health Systems, an Indiana general partnership, all right, title and interest in and to a certain agreement for the purchase and sale of certain leasehold interest in Merrillville Convalescent Center and adjacent land, and does further assume all obligations and undertaking of the purchaser thereunder.

(o) Judgment for delinquent personal property taxes in the amount of \$7,511.25, plus penalty, against Walsh, Inc., entered January 15, 1991 in the Office of the Clerk of the Lake Circuit Court in Record of Delinquent Property and Judgment Book (Crown Point Treasurer) 8, page 78.

(p) Judgment for \$2,500.00, interest, attorney fees and costs, rendered March 27, 1992 in favor of Samuel Morris, Sr., and against Merrillville Manor in Cause NO. 45D09-9203-SC-00716 of the Lake Superior Court at Crown Point. Judgment Docket 78 age 102.

(q) State of Indiana Tax Warrant No. 02192187 against 21st Century Health Systems, Inc., doing business as Lakecrest, 601 West 61st Avenue, Merrillville, Indiana, filed May 17, 1993, in Judgment Docket 69 page 95 in the Office of the Clerk of the Lake Circuit court at Crown Point, Indiana, in the amount of \$596.04.

(r) Judgment for \$13,789.05, interest, attorney fees and costs, rendered July 28, 1993 in favor of Pro Care Physical Therapy PC and against 21st Century Health Systems, c/o Robert A. Heuel, 800 highlander Point Drive, Suite 202, Floyd Knobs, Indiana, in Cause No. 45D03-9306-CP-02149 of the Lake Superior Court at Gary. Judgment Docket 79 page 39.

(s) Judgment for delinquent personal property taxes in the amount of \$6,570.00, plus penalty, against 21st Century Health Systems, Inc., P.O. Box 162, Floyd Knobs, Indiana, entered January 2, 1994 in the Office of the Clerk of the Lake Circuit court in Record of Delinquent Property and Judgment Book (Crown Point Treasurer) 8, page 329.

(t) Judgment for \$6,000.00, interest, attorney fees and costs, rendered February 14, 1994 in favor of Pro-Tem, Inc. and against 21st Century Health Systems, Inc., c/o Wayne E. Seufert, 800 Highlanders Point Drive, Suite 202, Floyd Knobs, Indiana, in Cause NO. 45D03-9401-CP-00046 of the Lake Superior Court at Gary. Judgment Docket 80 page 159.

(u) State of Indiana Tax Warrant No. 02283454 against 21st Century Health Systems, Inc., doing business as Lakecrest, 601 West 61st Avenue, Merrillville, Indiana, filed April 13, 1994 in Judgment Docket 76 page 28 in the Office of the Clerk of the Lake Circuit Court at Crown Point, Indiana, in the amount of \$438.00.

(v) State of Indiana Tax Warrant No. 022893455 against 21st Century Health Systems, Inc., doing business as Lakecrest, 601 West 61st Avenue, Merrillville, Indiana, filed April 13, 1994 in Judgment Docket 76 page 28 in the Office of the Clerk of the Lake Circuit Court at Crown Point, Indiana, in the amount of \$436.04.

(w) State of Indiana Unemployment Compensation Tax Warrant No. 6007990 against 21st Century Health Systems, Inc., doing business as Lakecrest, 601 West 61st Avenue, Merrillville, Indiana, filed May 11, 1994 in Judgment Docket 103 page 118 in the Office of the Clerk of the Lake Circuit Court at Crown Point, Indiana, in the amount of \$8,034.46, plus penalty, interest and charges.

(x) State of Indiana Gross Income Tax Warrant No. 02350371 against Sterling Care Group Limited, 601 West 61st Avenue, Merrillville, Indiana, filed June 30, 1994 in Judgment Docket 80 page 47 in the Office of the Clerk of the Lake Circuit Court at Crown Point, Indiana, in the amount of \$57,543.75.

(NOTE: FOR A PAYOFF AS TO THE ABOVE REFERENCED LIEN PLEASE CONTACT: STATE OF INDIANA DEPARTMENT OF REVENUE (317) 232-2240)

(y) State of Indiana Gross Income Tax Warrant No. A024432090 against Sterling Care Group Limited, 7611 State Line Road 301, Kansas City, Missouri, filed December 23, 1994 in Judgment Docket 85 page 180 in the Office of the Clerk of the Lake Circuit Court at Crown Point, Indiana, in the amount of \$253.00.

(z) Judgment for \$48,657.79, interest, attorney fees and costs, rendered June 3, 1993 in favor of Accu-Care Rehab Therapeutics, Inc. and against 21st Century Health Systems, Inc., doing business as Lakecrest, in Cause No. 22D01-9301-CP-013, Floyd County Superior Court, entered in the Vacation Order Book of the Lake Circuit court (Book 13, page 121), and Judgment Docket 104, page 207, on October 17, 1994.

(aa) Security interest in fixtures at captioned premises as shown by financing statement from The Sterling Care Group, Ltd., D/B/A Merrillville manor, 601 West 61st Avenue, Merrillville, Indiana, to INB National Bank, Northwest (now known as NBD Bank) filed in

the Office of the Recorder of Lake County, Indiana, on June 16, 1992 as Document No. 92002277.

(bb) Conditional assignment of lessee's interest in leases dated June 2, 1992 and recorded July 27, 1992, as Document NO. 92047669, as shown on copy attached hereto.

(cc) Instrument titled "Assignment of monies due or to become due under a management agreement for the management of the Merrillville Convalescent Center and adjacent land" is dated January 12, 1993 and recorded March 4, 1993, as Document No. 93014097.

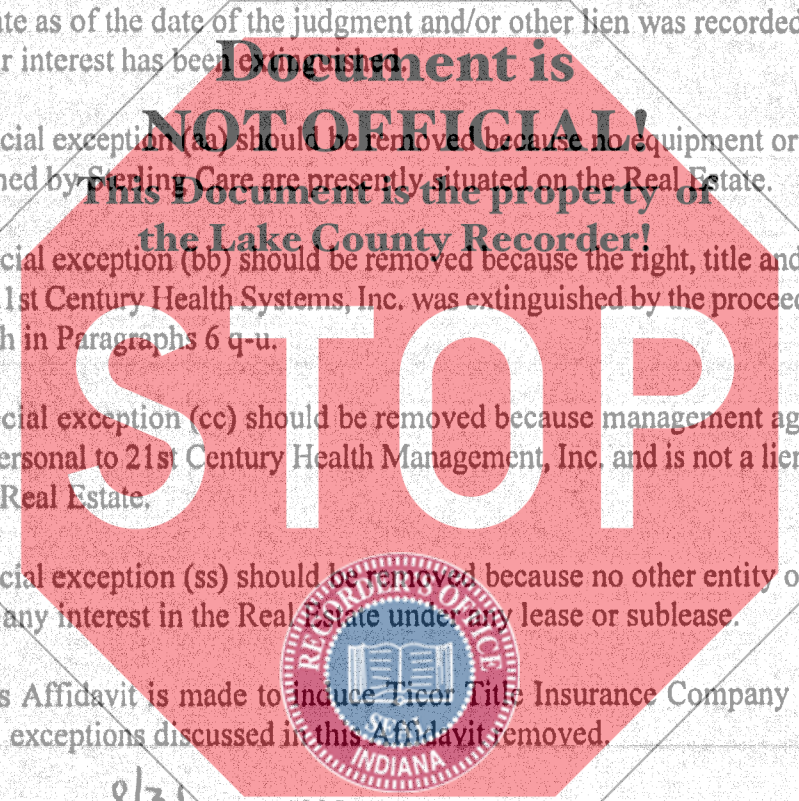
6. The facts concerning the ownership and possession of Real Estate since December, 1985, are as follows:

- Document is NOT OFFICIAL!**
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- a. MIPI purchased the Real Estate in December, 1985.
- b. Concurrent with the purchase of the Real Estate, MIPI entered into a lease with H. Walsh, Inc., a Louisiana corporation, ("Walsh") for Parcel 2 of the Real Estate and the improvements thereon (Parcel 2 Lease"). The lease was executed as of December 17, 1985.
- c. Concurrent with the purchase of the Real Estate, MIPI entered into a lease with H. Walsh, Inc., a Louisiana corporation, ("Walsh") for Parcel 1 of the Real Estate; property which is vacant property adjacent to Parcel 2 ("Parcel 1 Lease"). The lease was executed as of December 17, 1985.
- d. Walsh entered into a contract for the sale of its leasehold interest in the Parcel 1 Lease and the Parcel 2 Lease with 21st Century Health Systems, Inc. ("21st Century"), effective April 13, 1989.
- e. To the best of affiant's knowledge, 21st Century was wholly owned and controlled at all times by Wayne Seufert ("Seufert") and Robert Heuel ("Heuel"); both Indiana residents.
- f. Effective September 1, 1989, 21st Century completed the purchase of the Parcel 1 Lease interest and the Parcel 2 Lease interest.

- g. Concurrent with the completion of the purchase of the Parcel 1 Lease interest and the Parcel 2 Lease interest, 21st Century subleased Parcel 1 and Parcel 2 to Pafco Enterprises, Inc., a Delaware corporation ("Pafco"), which immediately took possession of the Real Estate.
- h. Pafco later changed its name to "The Sterling Care Group, Ltd." ("Sterling Care") at a date unknown to Affiant. At all times, Pafco and Sterling Care operated the Nursing Home under the name "Merrillville Convalescent Center."
- i. 21st Century and Sterling Care entered into a Lease Termination Agreement effective August 3, 1992, in which Sterling Care surrendered all of its right, title, and interest to the Real Estate under the Parcel 1 Lease and the Parcel 2 Lease to 21st Century.
- j. Sterling Care relinquished possession of the Nursing Home and relinquished all rights of any kind in the Real Estate on and after that date.
- k. Sterling Care has no interest in the Real Estate as of the date of this Affidavit.
- l. Sterling Care commenced Chapter 11 bankruptcy proceedings in the United States Bankruptcy Court in Indianapolis, Indiana in the Fall of 1992 under Cause No. 92-9594-RLE-11.
- m. On or before December 13, 1989, 21st Century transferred all right, title and interest in the Parcel 1 Lease and the Parcel 2 Lease to an Indiana general partnership called 21st Century Health Systems, Inc., in which Seufert and Heuel were the sole partners.
- n. At all times prior to August 15, 1992, Seufert, Heuel, and 21st Century operated the nursing home under the name of "Merrillville Convalescent Center."
- o. At all times Walsh recognized 21st Century, Seufert and Heuel as tenants, as their interests appear, under the original leases between 21st Century and Walsh.
- p. On or about August 15, 1992, 21st Century, Seufert and Heuel changed the name of the Nursing Home from "Merrillville Convalescent Center" to "Lakecrest Nursing Home."

- q. Effective as of December 16, 1992, Seufert, Heuel, and 21st Century abandoned possession of the Nursing Home, which at that time was known as "Lakecrest Nursing Home."
- r. A court order dated December 16, 1992, was entered pursuant to which Seufert, Heuel and 21st Century abandoned possession of the Real Estate.
- s. In August, 1993, a judgment was entered against Seufert and Heuel in excess of \$900,000 for payment of accrued but unpaid back rent on the Parcel 1 Lease and the Parcel 2 Lease for the period prior to December 16, 1992.
- t. The judgment became final in May, 1994.
- u. No payments of any kind have ever been made by Seufert and Heuel under the judgment.
- v. Due to lack of care by parties in possession, MIPI has, since December, 1992, replaced all or substantially all of the furniture, fixtures, and equipment in the improvements on Parcel 2.
- w. At no time was any restaurant equipment placed or installed in the improvements on Parcel 2.
7. Affiant makes this Affidavit in order to remove the following exceptions for the following reasons:
- a. The lease shown in special exception (i) is no longer in effect and the Lessee therein has relinquished all right, title and interest in the Real Estate pursuant to the Lease Termination Agreement effective as of August 3, 1992 shown in Paragraph 6i of this Affidavit.
- b. Special exception (j) for the lease set forth in the memorandum of the lease above should be removed for the same reason as stated in Paragraph 7a.
- c. Special exception (k) should be removed for the same reason as Paragraph 7a.
- d. Special exception (l) should be removed because the equipment owned by Merrillville CT Associates, Ltd., a limited partnership, never was located or installed at the Real Estate. Further, the security interest expired five (5) years from June 30, 1988.

- e. Special exception (m) should be removed because 21st Century did not have an option to purchase the Real Estate; therefore, had no option rights to grant to Sterling Care.
- f. Special exception (n) should be removed because the right, title and interest of 21st Century Health Systems, Inc. was extinguished by the proceedings set forth in Paragraphs 6 q-u.
- g. Special exceptions (o), (p), (q), (r), (s), (t), (u), (v), (w), (x), (y), and (z) should be removed because the parties against which the judgment and/or other lien is rendered against is not a party in interest in the Real Estate; never had an interest in the real estate; did not have an interest in the real estate as of the date of the judgment and/or other lien was recorded; and/or their interest has been extinguished.
- h. Special exception (aa) should be removed because no equipment or fixtures owned by Sterling Care are presently situated on the Real Estate.
- i. Special exception (bb) should be removed because the right, title and interest of 21st Century Health Systems, Inc. was extinguished by the proceedings set forth in Paragraphs 6 q-u.
- j. Special exception (cc) should be removed because management agreement is personal to 21st Century Health Management, Inc. and is not a lien against the Real Estate.
- k. Special exception (ss) should be removed because no other entity or person has any interest in the Real Estate under any lease or sublease.
- 8. This Affidavit is made to induce Ticor Title Insurance Company to issue its title policy with special exceptions discussed in this Affidavit removed.



Dated: 8/31, 1995.

RWB Medical Income Properties I, Limited Partnership

By: RWB Management Corp., Inc., Managing Partner

By: John Stoddard
 John Stoddard ITS, President

