

THIS MORTGAGE IS GIVEN TO SECURE THE FOLLOWING:

A. The payment of a Promissory Note or Notes executed by LA-Z RECLINER SHOP, INC. to Mortgagee, and dated September 20, 1996, in the original principal amount or amounts of \$1,057,500.00, with the original maturity date or dates of February 5, 1997, and with interest thereon as provided in said note or notes; and

B. Any renewal, extension or replacement of the indebtedness referred to in paragraph A above; and

C. Any and all future advancements made by Mortgagee to LA-Z RECLINER SHOP, INC. and;

D. Any other indebtedness which LA-Z RECLINER SHOP, INC. might from time to time, while this Mortgage is in effect, ~~owe Mortgagee, and~~

E. The performance ~~by Mortgagee of all Mortgagee's covenants, agreements, promises, payments and conditions contained in this Mortgage agreement.~~

The Mortgagor shall have and hold the mortgaged premises unto the Mortgagee, for the purposes and uses set forth herein under the following terms and conditions:

ARTICLE 1. COVENANTS

Mortgagor hereby covenants and agrees with Mortgagee as follows:

Section 1.01. Security Agreement. If any of the property described above does not form a part and parcel of the premises or does not constitute a fixture, as that term is defined in the Uniform Commercial Code, this Mortgage is hereby deemed ~~2~~ Security Agreement under the Uniform Commercial Code for the purpose of hereby creating a security interest in the premises. The Mortgagor hereby grants said security interest to the Mortgagee, as Secured Party, as that term is defined in the Uniform Commercial Code.

Section 1.02. Waste and Maintenance of Premises. The Mortgagor shall abstain from and not permit the commission of waste in or about the premises; shall not move or demolish, or alter the structural character of, any building at any time erected on the premises without the prior written consent of the Mortgagee; shall maintain the premises in good condition and repair, reasonable wear and tear excepted. The Mortgagee shall have the right, but not the duty, to enter upon the premises at any reasonable hour to inspect the interiors of any buildings and improvements located thereon.

Section 1.03. Insurance Obligation. The Mortgagor will procure, deliver to, and maintain for the benefit of the Mortgagee during the continuance of this Mortgage and until the same is fully satisfied and

released, a policy or policies of insurance insuring the buildings and improvements now existing or hereafter erected on the said land against loss or damage by fire, lightning, windstorm, hail, explosion, riot, civil commotion, aircraft, vehicles, smoke and such other hazards, casualties, and contingencies as the Mortgagee may designate. All policies of insurance required hereunder shall be in such form and amounts and by such companies, as the Mortgagee may accept, and shall contain a mortgagee clause acceptable to the Mortgagee, with loss payable to the Mortgagor and the Mortgagee as their interests may appear. The Mortgagor will promptly pay when due any premiums on any policy or policies of insurance required hereunder, and will deliver to the Mortgagee renewals of such policy or policies at least ten (10) days prior to the expiration date(s) thereof, the said policies and renewals to be marked "paid" by the issuing company or agent.

In the event of any loss or damage, the Mortgagor will give prompt notice thereof to the Mortgagee. All proceeds of insurance in the event of such loss or damage shall be payable jointly to the Mortgagor, its successors and assigns, and the Mortgagee. All funds will be utilized by the Mortgagor to the extent necessary to restore the premises to substantially the same condition as the premises existed prior to the loss or damage, unless the Mortgagor shall elect not to do so. In the latter event, the Mortgagee shall then apply the proceeds to the then existing indebtedness and the balance shall be paid to the Mortgagor.

Section 1.04. Payment of Taxes and Other Charges. The Mortgagor shall pay all real estate taxes, water and sewer rents, other similar claims and liens assessed or which may be assessed against the premises or any part thereof, without any deduction or abatement, in a manner acceptable to such taxing authorities and shall produce to the Mortgagee receipts for the payment thereof in full and shall pay every other tax, assessment, claim, lien or encumbrance which may at any time be or become a lien upon the premises prior to the lien of this Mortgage; provided, however, that if the Mortgagor shall in good faith, and by proper legal action, contest any such taxes, claims, liens, encumbrances or other charges or the validity thereof, and shall have established on its books by deposit of cash the Mortgagee (as the Mortgagee may elect), a reserve for the payment thereof in such amount as the Mortgagee may require, then the Mortgagor shall not be required to pay the same, or to produce such receipts, during the maintenance of said reserve and as long as such contest operates to prevent collection, and is maintained and prosecuted with diligence, and shall not have been terminated or discontinued adversely to the Mortgagor.

Section 1.05. Payment of Future Taxes. If at any time the United States Government or any other federal, state, or municipal government or subdivision thereof shall require internal revenue or other documentary stamps or tax on this Mortgage or the note secured hereby, upon demand the Mortgagor shall pay for same; and on failure to make such payment within fifteen (15) days after demand for same, the Mortgagee may pay for such stamps and add the amount so paid to the principal indebtedness

evidenced by the note and secured by this Mortgage, and said additional principal shall bear interest at the rate of (18%) percent per annum.

Section 1.06. Compliance with Ordinances. The Mortgagor shall comply with any municipal ordinance or regulation affecting the premises within thirty (30) days after notice thereof; provided, however, that if the Mortgagor shall in good faith, and by proper legal action, contest any such ordinance or regulation, or the validity thereof, then the Mortgagor shall not be required to comply therewith so long as such contest operates to prevent enforcement, and is maintained and prosecuted with diligence, and shall not have been terminated or discontinued adversely to the Mortgagor.

Section 1.07. Personal Liability. The Mortgagor agrees to pay all indebtedness secured by this Mortgage in accordance with its terms and with the terms of this note.

ARTICLE 2. DEFAULT AND BREACH

Section 2.01. Events of Default. The following shall constitute Events of Default hereunder:

- This Document is the property of the Lake County Recorder.
- (a) The failure of the Borrower or Mortgagor to pay any installment of principal or interest when the same due.
- (b) The failure of the Borrower or Mortgagor to pay any other sum required to be paid in the note or in this Mortgage when the same is due.
- (c) The failure of the Borrower or Mortgagor to perform any covenant or agreement in the note or in this Mortgage.
- (d) Any assignment for the benefit of the Borrower's or Mortgagor's creditor's, or other proceedings intended to liquidate or rehabilitate the Mortgagor's estate, or the Mortgagor's becoming insolvent within the meaning of the Federal Bankruptcy Code.

Section 2.02. Foreclosure on Default. Upon the occurrence of any one or more of said Events of Default, the entire unpaid balance on the principal, the accrued interest, and all other sums secured by this Mortgage, shall, at the option of the Mortgagee, become immediately due and payable without notice or demand, and in any such Event of Default the Mortgagee may proceed to foreclose this Mortgage by judicial proceedings according to the statutes. Any failure to exercise said option shall not constitute a waiver of the right to exercise the option at any other time. In any such proceeding, there shall be allowed and included, as additional indebtedness in the judgements, all expenses which may be paid or incurred by or on behalf of the Mortgagee for the attorney's fees, outlays for documentary evidence, costs of abstracts of title, title searches, title insurance policies, and any other expenses

which the Mortgagee may deem reasonably necessary to prosecute such suit or to maintain the sale pursuant to the judgement. The proceeds of any foreclosure sale should be applied first, to the payment of all costs arising from the foreclosure proceedings; second, to the payment of all items other than principal and interest which are secured indebtedness under this Mortgage; third, to the payment of the unpaid principal and interest under the note; and fourth, any surplus to the Mortgagor, his successors, or assigns.

Section 2.03. Possession and Receivership. The Mortgagee shall have the right in any proceeding to foreclose this Mortgage to the appointment of a receiver to collect the rents, issues, income, and profits of the premises and apply them to the payment of the indebtedness, interest, attorney's fees and costs, and any other payments required by the note of this Mortgage, without notice and without regard to the adequacy of the premises to secure the indebtedness. Or, instead of such receivership, the Mortgagee may, at its option, itself take possession of the premises during the period of redemption, and collect the rents and apply them in the manner set forth above.

Section 2.04. Failure to Pay Taxes or Insurance Premium. If after receiving ten (10) days' written demand for payment and/or discharge from Mortgagee, the Borrower or Mortgagor fails to pay any tax, claim, lien or encumbrance which shall be or become prior in lien to this Mortgage, or to pay any insurance premium as aforesaid, or to keep the premises in repair, as aforesaid, or commits or permits waste, then the Mortgagee, at its option, may pay said claim, lien, encumbrance, tax assessment, or premium, with right of subrogation thereunder, may make such repairs and take such steps as it deems advisable to prevent or cure such waste, and may appear in any action or proceeding with respect to any of the foregoing and retain counsel therein, and take such action therein as Mortgagee deems advisable, and for any said purposes the Mortgagee may advance such sums of money as it deems necessary. All sums of money advanced by the Mortgagee pursuant to this section, together with interest on each such advance at the rate of eighteen (18%) percent per annum, shall be so much additional indebtedness secured hereby and shall immediately become due and payable without notice. The failure of the Mortgagee to act pursuant to this section shall not be deemed a waiver of any rights the Mortgagee may have because of any default on the Borrower or Mortgagor.

Section 2.05. Assignment of Leases and Rents. As a further security for payment of the indebtedness and performance of the obligations, covenants, and agreements secured hereby, the Mortgagor hereby assigns to the Mortgagee all leases already in existence and to be created in the future, together with all rents to become due under existing or future leases. This assignment, however, shall be operative only in the event of the occurrence of a default hereunder, or under the note or other instrument collateral hereto, remaining uncured at the expiration of the grace period, if any, provided above in respect to such default; and in such case the Mortgagor hereby confers on the Mortgagee the exclusive power, to be used or not to be used in its sole discretion,

to act as agent, or to appoint a third person to act as agent for the Mortgagor, with power to take possession of, and collect all rents arising from, the premises and apply such rents, at the option of the Mortgagee, to the payment of the mortgage debt, taxes, costs of maintenance, repairs, expenses incident to managing, and other expenses, in such order of priority as the Mortgagee may in its sole discretion determine, and to turn any balance remaining over to the Mortgagor; but such collection of rents shall not operate as an affirmation of the tenant or lease in the event the Mortgagor's title to the premises should be acquired by the Mortgagee. The Mortgagee shall be liable to account only for rents and profits actually received by the Mortgagee. In exercising any of the powers contained in this section, the Mortgagee may also take possession of, and for these purposes use, any and all personal property contained in the premises and used by the Mortgagor in the rental or leasing thereof or any part thereof

ARTICLE 3. SATISFACTION AND RELEASE

Section 3.01. Satisfaction of Mortgage. If the Borrower and Mortgagor complies with the provisions of this Mortgage and pays to the Mortgagee said principal sum, and all other sums payable by the Borrower and Mortgagor to the Mortgagee as are hereby secured, in accordance with the provisions of the note and in the manner and at the times therein set forth, without deduction, fraud, or delay, then and from thenceforth this Mortgage, and the estate hereby granted, shall cease and become void, anything hereinbefore contained to the contrary notwithstanding.

Section 3.02. Transfer of Title by Mortgagor. Any transfer by sale, gift, devise, operation of law, or otherwise of the fee title interest in all or any portion of the mortgaged premises shall have the same consequences as an event of default respecting the indebtedness secured hereby, and upon such transfer, the Mortgagee, without prior notice or the elapse of any period of grace or the right to cure, shall have the right to declare all sums secured hereby immediately due and payable and, upon failure by the Mortgagor to make such payment within thirty (30) days of written demand therefore, the Mortgagee shall have the right to exercise all remedies provided in the note, this Mortgage, or otherwise at law.

ARTICLE 4. MISCELLANEOUS

Section 4.01. Notice. A notice which is mailed by certified mail to the Borrower or Mortgagor or at such other address as the Borrower or Mortgagor shall designate to the Mortgagee in writing, shall be sufficient notice when required under this Mortgage.

Section 4.02. Cumulative Rights and Remedies. The rights and remedies of the Mortgagee as provided herein, or in said note, and the warrant therein contained, shall be cumulative and concurrent, and may be pursued singly, successively, or together at the sole discretion of the Mortgagee, and may be exercised as often as occasion therefore shall occur; and the failure to exercise any such right or remedy shall in no event be construed as a waiver or release of the same.

Section 4.03. Lawful Rates of Interest. All agreements between the Borrower or Mortgagor and the Mortgagee are hereby expressly limited so that in no contingency or event whatsoever shall the amount paid, or agreed to be paid, to the Mortgagee for the use, forbearance, or detention of the money due under the Note secured hereby exceed the maximum amount permissible under applicable law. If, due to any circumstances whatsoever, fulfillment of any provision hereof, at the time performance of such provision shall be prescribed by law, then the obligation to be fulfilled shall be reduced to the limit of such validity, and if from any circumstances the Mortgagee should ever receive as interest an amount that would exceed the highest lawful rate, such amount that would be excessive interest shall be applied to the reduction of the principal amount owing under the note secured hereby and not to the payment of interest.

Section 4.04. State Law to Apply. This Mortgage shall be construed under and in accordance with the laws of the State of Indiana, and all obligations of the parties created hereunder are performable in Lake County, Indiana.

Section 4.05. Parties Bound. This Mortgage shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, executors, administrators, legal representatives, successors, and assigns where permitted by this Mortgage.

Section 4.06. Severability. In case any one or more of the provisions contained in this Mortgage shall for any reason be held to be valid, illegal or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision hereof and this Mortgage shall be construed as if such invalid, illegal or enforceable provision had never been contained herein.

Section 4.07. Time of Essence. Time is of the essence of this Mortgage.

Section 4.08. Construction. The words "Mortgagor" and "Borrower" and "Mortgagee" include singular or plural, individual or corporation, and the respective heirs, personal representatives, executors, administrators, successors, and assigns of the Mortgagor and the Mortgagee, as the case may be. The use of any gender applies to all genders. If more than one party is named as Mortgagor, the obligation hereunder of each such party is joint and several.

Section 4.09. Captions. The captions herein are inserted only for convenience of reference and in no way define, limit, or describe the scope of intent of this Mortgage or any particular paragraph or section hereof, nor the proper construction hereof.

STATE OF INDIANA)
) SS:
COUNTY OF LAKE)

BEFORE ME, the undersigned, a Notary Public in and for said County and State, personally appeared CHARLES FORCEY,
_____ and _____,
_____ respectively of LA-Z RECLINER SHOP, INC.,
_____ a corporation, and HE acknowledged
that as such CHAIRMAN and _____,
executed the above and foregoing instrument on behalf of said corporation
and caused its corporate seal to be affixed thereto, as HIS
free and voluntary act and as the free and voluntary act and deed of said
corporation for the uses and purposes therein set forth.

GIVEN under my hand and official seal this 20TH day of
SEPTEMBER, 1996.

Larry D. Rockness
NOT OFFICIAL! Notary Public

My Commission Expires Sept 17, 1999
County of Residence: LAFORTE CO., INDIANA

This instrument prepared by: Robert B. Gardiner, Vice President/cs)

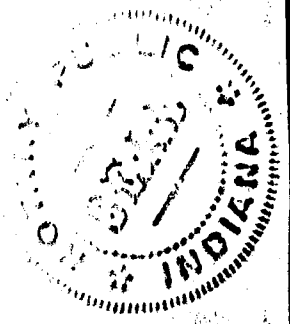
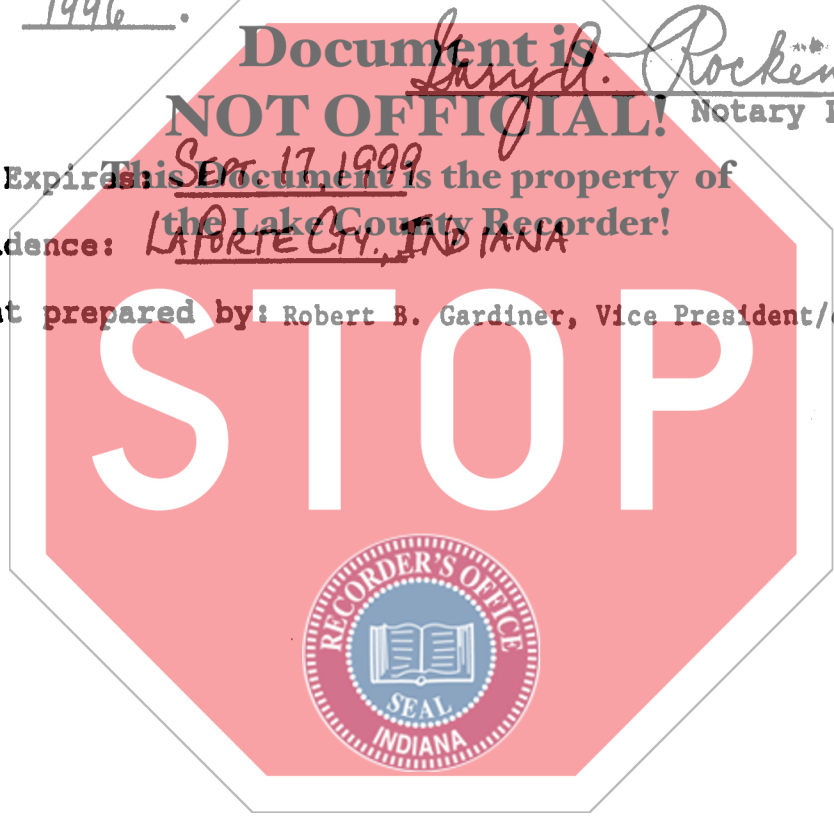


EXHIBIT "B"

PARCEL 1: THE NORTH 544.8 FEET OF LOT "E" (MEASURED FROM THE SOUTH RIGHT OF WAY LINE OF 60-FOOT WIDE DEDICATED HOFFMAN STREET TO THE CENTER OF MASONRY PARTY WALL) AND THE EAST 20 FEET OF THE NORTH 280.86 FEET OF LOT "F" (MEASURED FROM THE SOUTH RIGHT OF WAY LINE OF HOFFMAN STREET TO THE NORTH FACE OF EXISTING BUILDING AS SHOWN ON PLAT HEREAFTER DESCRIBED), KAUFMAN'S INDUSTRIAL ADDITION TO HAMMOND, AS SHOWN IN PLAT BOOK 19, PAGE 7, IN LAKE COUNTY, INDIANA, EXCEPTING THEREFROM THAT PART DEEDED TO THE CITY OF HAMMOND IN DEED NO. 048288 RECORDED JULY 25, 1989, DESCRIBED AS FOLLOWS: BEGINNING AT THE CORNER OF LOT "E"; THENCE SOUTH 0 DEGREES 22 MINUTES 12 SECONDS WEST 15.00 FEET ALONG THE EAST LINE OF SAID LOT; THENCE NORTH 79 DEGREES 37 MINUTES 19 SECONDS WEST 86.31 FEET TO THE NORTH LINE OF SAID LOT; THENCE SOUTH 89 DEGREES 37 MINUTES 48 SECONDS EAST 85.00 FEET ALONG SAID LINE TO THE POINT OF BEGINNING.

PARCEL 2: LOT "E", EXCEPT THE NORTH 544.8 FEET (MEASURED FROM THE SOUTH RIGHT OF WAY LINE OF 60-FOOT WIDE DEDICATED HOFFMAN STREET TO THE CENTER OF A MASONRY PARTY WALL), KAUFMAN'S INDUSTRIAL ADDITION TO HAMMOND, AS SHOWN IN PLAT BOOK 19, PAGE 7, IN LAKE COUNTY, INDIANA.

PARCEL 2A: AN EASEMENT FOR INGRESS AND EGRESS, FOR THE BENEFIT OF PARCEL 2, OVER, UNDER, UPON AND ACROSS THE NORTH 16 FEET OF LOT "B" IN KAUFMAN'S INDUSTRIAL ADDITION AS AND FOR A RIGHT OF WAY FROM THE EAST LINE OF LOT "E" IN SAID ADDITION TO THE WEST LINE OF CALUMET AVENUE.

PARCEL 3: PART OF LOTS "F" AND "B" IN KAUFMAN'S INDUSTRIAL ADDITION, HAMMOND, AS PER PLAT THEREOF, RECORDED IN PLAT BOOK 19, PAGE 7, IN LAKE COUNTY, INDIANA, DESCRIBED IN ONE TRACT AS FOLLOWS: BEGINNING AT A POINT 20 FEET WEST OF THE NORTHEAST CORNER OF SAID LOT "F", WHICH POINT IS ON THE SOUTH LINE OF 60 FOOT WIDE HOFFMAN STREET AND 398.30 FEET WEST OF THE WEST LINE OF CALUMET AVENUE (MEASURED ALONG THE SOUTH LINE OF 60 FOOT WIDE HOFFMAN STREET); THENCE SOUTHERLY PARALLEL TO AND 20 FEET WEST OF THE EAST LINE OF LOT "F" 280.70 FEET TO THE NORTH FACE OF BUILDING NO. 1; THENCE WEST ON THE NORTH FACE OF BUILDING NO. 1 A DISTANCE OF 88.95 FEET TO THE CENTER OF THE WALL BETWEEN BUILDINGS NOS. 1 AND 2; THENCE SOUTH ON THE CENTER LINE OF THE WALL BETWEEN BUILDINGS NOS. 1 AND 2 TO THE CENTER LINE OF THE WALL BETWEEN BUILDINGS NOS. 1, 4 AND 5; THENCE EAST ON THE CENTER LINE OF THE WALL BETWEEN BUILDINGS NOS. 1, 4 AND 5 A DISTANCE OF 133.25 FEET TO THE CENTER LINE OF THE WALL BETWEEN BUILDINGS NOS. 5 AND 6; THENCE SOUTH ON THE CENTER LINE OF THE WALL BETWEEN BUILDINGS NOS. 5 AND 6 AND THE CENTER LINE OF THE EAST WALL OF BUILDING NO. 5 TO THE CENTER OF THE WALL BETWEEN BUILDINGS NOS. 5 AND 7; THENCE WEST ON THE CENTER LINE OF THE WALL BETWEEN BUILDINGS NOS. 5 AND 7 A DISTANCE OF 65 FEET TO THE EAST FACE OF THE WEST WALL OF BUILDING NO. 5; THENCE SOUTH ON THE LINE OF SAID EAST FACE PRODUCED SOUTHWARD TO THE NORTHERLY LINE OF THE 30 FOOT STRIP OF LAND OWNED BY THE BALTIMORE AND OHIO CHICAGO TERMINAL RAILROAD COMPANY, SAID NORTHERLY LINE BEING THE SOUTHERLY LINE OF SAID LOTS "B" AND "F"; THENCE NORTHWESTERLY ALONG SAID NORTHERLY LINE OF THE BALTIMORE AND OHIO CHICAGO TERMINAL RAILROAD COMPANY TO THE WEST LINE OF SAID LOT "F"; THENCE NORTH ON THE WEST LINE OF SAID LOT "F" TO THE SOUTH LINE OF HOFFMAN STREET; THENCE EAST ON THE SOUTH LINE OF HOFFMAN STREET 177.2 FEET TO THE POINT OF BEGINNING.

PARCEL 3A: EASEMENT FOR A PASSAGEWAY AND FOR INGRESS AND EGRESS, FOR THE BENEFIT OF PARCEL 3, OVER THE SOUTHERLY 25 FEET OF THAT PART OF LOT "B" IN KAUFMAN'S INDUSTRIAL ADDITION LYING EASTERLY OF PARCEL 3 HEREIN AS CONTAINED IN AN INSTRUMENT DATED SEPTEMBER 30, 1952 AND RECORDED OCTOBER 8, 1952 IN MISCELLANEOUS RECORD 571, PAGE 458, IN THE OFFICE OF THE RECORDER OF LAKE COUNTY, INDIANA.