

RECORDING REQUESTED BY 2005 004412
AND WHEN RECORDED MAIL TO:

STATE OF INDIANA
LAKE COUNTY
FILED FOR RECORD

2005 JAN 01 10:11:10

MICHAEL A. ...
RECORDER

Squire, Sanders & Dempsey LLP
801 S. Figueroa St., 14th Fl.
Los Angeles, California 90017
Attn: P. Fields

044502783

(Space Above This Line For Recorders Use Only)

**MORTGAGE,
SECURITY AGREEMENT AND FIXTURE FILING**

THIS MORTGAGE, SECURITY AGREEMENT AND FIXTURE FILING (this "Mortgage") is made as of January 12, 2005, by and among Andrew Jin-Chan Cherng and Peggy Tsiang Cherng, Co-Trustees of the Cherng Family Trust dated October 30, 1987, having an address for notice purposes of 1683 Walnut Grove Avenue, Rosemead, California 91770-3711, (together, "Mortgagor"), and UNITED OVERSEAS BANK LIMITED, a Singapore bank acting through its Los Angeles Agency, having an address for notice purposes of 777 South Figueroa Street, Suite 518, Los Angeles, California 90017 ("Mortgagee").

As is more specifically set forth below, this Mortgage is given to secure performance of obligations of Mortgagor to Mortgagee pursuant to the provisions of that certain Loan Agreement (as hereinafter defined) and certain other agreements executed in connection therewith, all dated as of the date hereof, by and between Mortgagor and Mortgagee concerning a loan in the principal amount of up to US\$675,000 from Mortgagee to Mortgagor.

The addresses of Mortgagor and Mortgagee are set forth in Section 3.1 of this Mortgage. The legal description of the real property which secures the performance of the obligations of Mortgagor to Mortgagee is attached hereto as Exhibit A, which property is located in Lake County, Indiana (the "Real Property").

FOR GOOD AND VALUABLE CONSIDERATION, the receipt of which is hereby acknowledged, Mortgagor hereby grants, bargains, sells, conveys, mortgages, and warrants unto Mortgagee, WITH MORTGAGE COVENANTS, the entire right, title, interest and estate of Mortgagor in and to the Real Estate and the following Mortgaged Property, whether now owned or hereafter acquired;

TOGETHER WITH all rents, earnings, income, deposits, security deposits, receipts, royalties, revenues, issues and profits of the Real Property, and all rights of Mortgagor under all present and future leases affecting the Real Property, subject however to the right, power and authority hereinafter given to Mortgagor to collect and apply such proceeds set forth herein;

→ Stewart Title Services
of Northwest Indiana
The Pointe
5521 W. Lincoln Hwy.
Crown Point, IN 46307

\$105.00
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PSMH # 2005 - 004413

TOGETHER WITH all easements, rights-of-way and other rights used in connection therewith or as a means of access thereto and all tenements, hereditaments and appurtenances thereof, including, but not limited to, any claim at law or in equity, and any after acquired title and reversion in or to each and every part of all streets, roads, highways, and alleys adjacent to and adjoining the same;

TOGETHER WITH any and all buildings and other improvements now or hereafter erected or placed thereon, all water and water rights, pumps and pumping stations used in connection therewith and all shares of stock evidencing the same, all fixtures, attachments, appliances, equipment, machinery and other articles of property, whether real or personal, now or hereafter attached or affixed to, placed upon or used in connection therewith (the "Improvements");

TOGETHER WITH any and all compensation, awards, payments or rights thereto by reason of any insurance or by reason of any public improvement or condemnation proceeding, or by a sale or transfer in lieu of condemnation, or any other taking of all or any portion of the Mortgaged Property (as hereinafter defined);

TOGETHER WITH all deposits made with or other security given to utility companies by Mortgagor with respect to the Real Property and/or the Improvements, and all advance payments of insurance premiums made by Mortgagor with respect thereto and claims or demands relating to insurance; and

TOGETHER WITH all the estate, interest, other claim or demand, both in law and in equity, including claims or demands with respect to the proceeds of insurance in effect with respect thereto, which Mortgagor now has or hereafter acquires in all or any portion of the Mortgaged Property;

The Real Property, the Improvements and all other property, estates, rights, interests and things mortgaged, assigned and/or conveyed to Mortgagee by this Mortgage are herewith referred to as the "Mortgaged Property";

FURTHERMORE, MORTGAGOR HEREBY GRANTS a security interest to Mortgagee in all of the following-described property, whether now owned or hereafter acquired by Mortgagor, and any and all proceeds thereof (all of such sometimes being collectively referred to herein as the "Collateral"):

- (a) All existing and future goods and tangible personal property located on the Mortgaged Property or wherever located and used or useable in connection with the use, operation or occupancy of the Mortgaged Property or in construction of the Improvements, including, but not limited to, all appliances, furniture and furnishings, fittings, materials, supplies, equipment and fixtures, and all building materials, supplies, and equipment now or hereafter delivered to the Mortgaged Property and installed or used or intended to be installed or used therein; and all renewals or replacements thereof or articles in substitution thereof;
- (b) All general intangibles relating to the design, development, operation, management and use of the Mortgaged Property and construction of the

Improvements, including, but not limited to, (i) all names under which or by which the Mortgaged Property or the Improvements may at any time be operated or known, all rights to carry on business under any such names or any variant thereof, and all goodwill in any way relating to the Mortgaged Property, (ii) all permits, licenses, authorizations, variances, land use entitlements, approvals and consents issued or obtained in connection with the construction of the Improvements, (iii) all permits, licenses, approvals, consents, authorizations, franchises and agreements issued or obtained in connection with the use, occupancy or operation of the Real Property, (iv) all materials prepared for filing or filed with any governmental agency, and (v) all of Mortgagor's rights under any contract in connection with the development, design, use, operation, management and construction of the Mortgaged Property;

- (c) All accounts, contract rights, chattel paper, instruments, general intangibles and other obligations of any kind, whether long-term or short-term, now or hereafter existing, arising out of or in connection with Mortgagor's sale or lease of goods or Mortgagor's rendering of services at the Real Property, together with all monies, securities and other property and the proceeds thereof,
- (d) All construction, service, engineering, consulting, leasing, architectural and other similar contracts of any nature (including without limitation those of any general contractors and subcontractors), as such may be modified, amended or supplemented from time to time, concerning the design, construction, management, operation, occupancy, use, and/or disposition of any portion of or all of the Mortgaged Property;
- (e) All architectural drawings, plans, specifications, soil tests, feasibility studies, appraisals, engineering reports and similar materials relating to any portion of or all of the Mortgaged Property;
- (f) All payment and performance bonds or guarantees and any and all modifications and extensions thereof relating to the Mortgaged Property;
- (g) All reserves, deferred payments, deposits, refunds, cost savings and payments of any kind relating to the construction, design, development, operation, occupancy, use and disposition of any portion of or all of the Mortgaged Property;
- (h) All proceeds of any commitment by any lender to extend permanent or additional financing to Mortgagor relating to the Mortgaged Property;
- (i) All books, records, ledger cards, computer programs held by or for benefit of Mortgagor relating to the Real Property;
- (j) All proceeds and claims arising on account of any damage to or taking of the Mortgaged Property or any part thereof, and all causes of action and recoveries for any loss or diminution in the value of the Mortgaged Property;

- (k) All policies of, and proceeds resulting from, insurance relating to the Mortgaged Property or any of the above collateral, and any and all riders, amendments, extensions, renewals, supplements or extensions thereof, and all proceeds thereof;
- (l) All shares of stock or other evidence of ownership of any part of the Mortgaged Property that is owned by Mortgagor in common with others, including all water stock relating to the Mortgaged Property, if any, and all documents or rights of membership in any owners' or members' association or similar group having responsibility for managing or operating any part of the Mortgaged Property;
- (m) All proceeds, whether cash, promissory notes, contract rights, or otherwise, from the sale or other disposition of all or any part of the estate of Mortgagor upon the Mortgaged Property now or hereafter existing thereon;
- (n) All sales contracts, escrow agreements and broker's agreements concerning the sale of any or all of the Mortgaged Property; and

MORTGAGOR HEREBY FURTHER ASSIGNS AND TRANSFERS to Mortgagee, as additional security, 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 the Mortgaged 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 may demand, sue for and recover any such payments but shall not be required to do so;

FOR THE PURPOSE OF SECURING:

A. Performance of all obligations of Mortgagor under that certain Term Loan Agreement dated as of the date hereof, by and between Mortgagor and Mortgagee (as amended or supplemented from time to time, the "Loan Agreement"), and under the other Loan Documents (as defined in the Loan Agreement), except for the Environmental Indemnity;

B. Payment of indebtedness in the total principal amount of Six Hundred Seventy-Five Thousand United States Dollars (US\$675,000), or so much as may have been disbursed, which includes future amounts, with interest thereon, and performance of all obligations of Mortgagor under that certain Promissory Note Secured by Mortgage dated as of the date hereof, made by Mortgagor payable to the order of Mortgagee, and any and all modifications, extensions, restatements and renewals thereof (the "Note");

C. The payment of all sums paid or expended by Mortgagee to protect the Mortgaged Property, which will be considered to be an indebtedness of Mortgagor to Mortgagee hereunder, payable to Mortgagee on demand, with interest thereon from the date such sums are paid or expended by Mortgagee until paid at the rate and in accordance with the other terms set forth in the Note;

D. The performance of all obligations of Mortgagor set forth herein; and

E. The payment of any sums and interest thereon which may hereafter be lent to Mortgagor, its partners, if any, successors or assigns, by Mortgagee, which are evidenced by a promissory note or notes reciting that they are secured by this Mortgage.

To the extent any portion of the Mortgaged Property consists of personal property, this Mortgage constitutes a security agreement and fixture filing, and conveys to and creates in Mortgagee a security interest in such property in accordance with the California Uniform Commercial Code as from time to time in effect ("UCC"). In that regard the name and address of debtor and of secured party are provided in Section 3.1 of this Mortgage. Mortgagor agrees to execute and deliver on demand such security agreements, financing statements and other instruments as Mortgagee may request in order to establish, maintain and perfect the security interest of Mortgagee in such property. Mortgagor warrants and agrees that there is no financing statement covering the foregoing Collateral, the Mortgaged Property, or any part thereof, on file in any public office.

ARTICLE 1

COVENANTS AND AGREEMENTS OF MORTGAGOR

To protect the security of this Mortgage, Mortgagor hereby covenants and agrees as follows:

1.1 Performance of Secured Obligations. Mortgagor shall pay or otherwise perform all obligations secured hereby in accordance with their terms. Mortgagor acknowledges that the Note provides for a variable interest rate.

1.2 Maintenance, Repair, Alterations. Mortgagor shall keep the Mortgaged Property in good condition and repair; not remove, demolish or structurally alter any Improvement located on the Real Property, except with the prior written consent of Mortgagee; complete or restore promptly and in good and workmanlike manner any Improvement which may be constructed, damaged or destroyed thereon and pay when due all claims for labor performed and materials furnished therefor; comply with, and not to suffer or permit to exist any violation of, all laws, ordinances, orders, rules, regulations, covenants, conditions or restrictions affecting the Mortgaged Property; not commit or permit waste thereof; cultivate, irrigate, fertilize, fumigate, prune and do all other acts which from the character or use of the Mortgaged Property or any portion thereof may be necessary, the specific enumerations herein not excluding the general; and not leave the Mortgaged Property unprotected, unguarded or deserted.

1.3 Income and Expense Records. Mortgagor shall maintain, or cause to be maintained, proper and accurate books, records and accounts reflecting all items of income and expense in connection with the operation of the Mortgaged Property or in connection with any services, equipment or furnishings provided in connection with the operation of the Mortgaged Property, whether such income or expense be realized by Mortgagor or by any other person or entity whatsoever excepting persons unrelated to and unaffiliated with Mortgagor and who leased from Mortgagor portions of the Mortgaged Property for the purposes of occupying the same. Upon the request of Mortgagee, Mortgagor shall prepare and deliver to Mortgagee such financial statements regarding operation of the Mortgaged Property as Mortgagee may reasonably request; provided, however, that so long as no Event

of Default exists, Mortgagor shall be obligated to deliver such financial statements no more than once per calendar year. Mortgagee, or its designee, shall have the right from time to time during normal business hours to examine such books, records and accounts and to make copies or extracts therefrom.

1.4 Required Insurance. Mortgagor shall, at all times, provide, maintain and keep in force all of the following:

(a) A policy or policies of earthquake insurance (if available at commercially reasonable rates), boiler and machinery insurance, and general casualty insurance insuring the Mortgaged Property against loss or damage by fire and lightning and against loss or damage by other risks embraced by coverage of the type now known as the broad form of extended coverage, including, but not limited to, riot and civil commotion, vandalism and malicious mischief, and against such other risks or hazards as Mortgagee may from time to time reasonably designate, each in an amount sufficient to prevent Mortgagee or Mortgagor from becoming a co-insurer under the terms of the applicable policies, but each in any event in an amount not less than the greater of Six Hundred Seventy-Five Thousand United States Dollars (US\$675,000) or 100% of the then full replacement cost of the Improvements (exclusive of the cost of excavations, foundations and footings below the lowest basement floor) without deduction for physical depreciation and each such policy shall contain a Replacement Cost Endorsement, if available. Mortgagee shall be named as Loss Payee under such policy or policies.

(b) A policy or policies of comprehensive general liability insurance with respect to the Mortgaged Property insuring Mortgagor and Mortgagee, as their interests may appear, against loss for any occurrence resulting in (i) bodily injury to or the death of one person and consequential damages arising therefrom in the amount of at least \$1,000,000, (ii) bodily injury to or the death of more than one person and consequential damages arising therefrom in the amount of at least \$2,000,000, and (iii) property damage involving injury or destruction of the tangible property of third parties in the amount of at least \$1,000,000. Mortgagee shall be made an additional insured under such policy or policies.

(c) If requested by Mortgagee, flood insurance upon the Real Property in the event that such insurance is available pursuant to the provisions of the Flood Disaster Protection Act of 1973 or other applicable legislation. Mortgagee shall reserve the right to require that Mortgagor secure flood insurance in excess of the amount provided by the Flood Disaster Protection Act of 1973, if such insurance is commercially available, up to the amount provided in paragraph (a) of Section 1.4 of this Mortgage.

(d) Such other insurance (including, but not limited to, business interruption insurance, and/or mortgage insurance), and in such amounts, as may from time to time be reasonably required by Mortgagee.

All policies required by this Section shall (i) be issued by companies duly qualified to do such business in the State of Indiana and approved by Mortgagee, (ii) shall be subject to the approval of Mortgagee as to the insuring companies, amount, content and forms of policies and expiration dates, (iii) contain a Non-Contributory Standard Mortgagee Clause and the Lender's Loss Payable Endorsement (Form 438 BFU NS), or their equivalents, in favor of Mortgagee, (iv) provide that the proceeds thereof shall be payable to Mortgagee (to the

extent of its interest) and (v) provide that it cannot be modified or cancelled without thirty days' prior written notice to Mortgagee.

1.5 Delivery of Policies, Payment of Premiums. Mortgagor shall furnish to Mortgagee the original or a certificate of each policy required under Section 1.4 and, at least thirty days prior to expiration of any such policy, proof of issuance of a policy continuing in force the coverage provided by the expiring policy. In the event Mortgagor shall fail to maintain the insurance coverage required by this Mortgage, Mortgagee may (but shall be under no obligation to) take out the required policies of insurance and pay the premiums on the same or may make such repairs or replacements as are necessary and provide for payment thereof; and all amounts so advanced therefor by Mortgagee shall become an additional obligation of Mortgagor to Mortgagee, which amounts Mortgagor agrees to pay on demand, together with interest thereon at the rate of interest applicable under the Note, plus five percent (5%).

1.6 Insurance Proceeds. After the happening of any casualty insured against, Mortgagor shall give prompt written notice thereof to Mortgagee. Mortgagor hereby assigns to Mortgagee all insurance proceeds which it may be entitled to receive and such proceeds shall be delivered to and held by Mortgagee to be applied, at the option of Mortgagee and without regard to the adequacy of its security, to (a) the reduction of the unpaid principal of the indebtedness secured by this Mortgage or, (b) so long as (i) Mortgagor is not in default hereunder, (ii) Mortgagee's security is not materially impaired and (iii) Mortgagee has approved the source available for funds in addition to the insurance proceeds necessary to complete such restoration, to the restoration of any portion of the Mortgaged Property that has been damaged or destroyed to the same condition, character and value as existed prior to such damage or destruction; provided, however, that proceeds disbursed for restoration will be released to Mortgagor under the procedures set forth in the Loan Agreement, if any. In the event that in Mortgagee's sole judgment the insurance proceeds are not sufficient to accomplish such restoration, Mortgagee shall have the option, unless Mortgagor deposits with it the additional amounts necessary to accomplish such restoration, to apply the insurance proceeds upon any indebtedness secured hereby in such order as Mortgagee may determine or release such proceeds to Mortgagor without such release being deemed a payment of any indebtedness secured hereby, rather than to apply such proceeds to the restoration of the Real Property. Such application or release shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice. If the Mortgaged Property is restored at a cost less than the available insurance proceeds, then such excess proceeds shall, if Mortgagor is not then in default hereunder, be paid over to Mortgagor.

In the event of foreclosure of this Mortgage or other transfer of title or assignment of the entire Mortgaged Property in extinguishment, in whole or in part, of the indebtedness secured hereby, all right, title and interest of Mortgagor in and to all policies of insurance required by this Mortgage shall inure to the benefit of and pass to the successor in interest to Mortgagor or the purchaser or grantee of the Mortgaged Property.

1.7 Taxes and Impositions.

(a) Mortgagor shall pay, at least ten (10) days before delinquency, all real property taxes and assessments whatsoever which are assessed or imposed upon or

become due and payable and which create or appear to create a lien upon the Mortgaged Property or any part thereof or any personal property, equipment or other facility used in the operation thereof (all of which taxes, assessments and other governmental taxes are hereinafter referred to as "Impositions"); provided, however, that if by law any such Imposition is payable, or may at the option of the taxpayer be paid, in installments, Mortgagor may pay the same together with any accrued interest on the unpaid balance of such Imposition in installments as the same respectively become due and before any fine, penalty, interest or cost may be added thereto for the nonpayment of any such installment and interest.

(b) If at any time after the date hereof there shall be assessed or imposed (i) a tax or assessment on the Mortgaged Property in lieu of or in addition to the Impositions payable by Mortgagor pursuant to paragraph (a) of this Section, or (ii) a license fee, tax or assessment imposed on Mortgagee and measured by or based in whole or in part upon the amount of the outstanding obligations secured hereby, then all such taxes or assessments of fees shall be deemed to be included within the term "Impositions" as defined in paragraph (a) of this Section, and Mortgagor shall pay and discharge the same as herein provided in respect of the payment of Impositions or, upon the failure of payment of Impositions by Mortgagor, at the option of Mortgagee, all obligations secured hereby together with all accrued interest thereon, shall immediately become due and payable.

(c) Subject to the provisions of paragraph (d) of this Section 1.7, Mortgagor covenants to furnish Mortgagee within thirty (30) days after the date upon which any such Imposition is payable by Mortgagor, official receipts of the appropriate taxing authority, or other proof satisfactory to Mortgagee, evidencing the payment thereof.

(d) Mortgagor shall have the right before any delinquency occurs to contest or object to the amount or validity of any such Imposition by appropriate legal proceedings diligently prosecuted but Mortgagor's doing so shall not relieve, modify or extend Mortgagor's covenant to pay any such Imposition at the time and in the manner provided in this Section 1.7, unless (i) the legal proceedings shall operate to prevent the sale of the Mortgaged Property or any part thereof to satisfy such Imposition prior to final determination of such proceedings; or (ii) Mortgagor shall have provided a good and sufficient undertaking as may be required or permitted by law to accomplish a stay of such proceedings.

1.8 Utilities. Mortgagor shall pay when due all utility charges which are incurred by Mortgagor or which may become a charge or lien against the Mortgaged Property for gas, electricity, water and sewer services furnished to the Mortgaged Property and all other assessments or charges of a similar nature, whether public or private, affecting the Mortgaged Property or any portion thereof, whether or not such taxes, assessments or charges are liens thereon.

1.9 Subordination. Each lease of any portion of the Improvements shall be absolutely subordinate to the lien of this Mortgage but shall contain a provision satisfactory to Mortgagee that, in the event of a judicial foreclosure hereunder, such lease shall not be terminated and the tenant thereunder shall attorn to such purchaser and, if requested to do so, shall enter into a new lease for the balance of the term of such lease then remaining upon the same terms and conditions. Each such lease shall, at the request of Mortgagee, be assigned to Mortgagee and each such assignment shall be recorded and acknowledged by the tenant thereunder.

1.10 Actions Affecting Mortgaged Property. Mortgagor shall appear in and contest any action or proceeding purporting to affect the security hereof or the rights or powers of Mortgagee and shall pay all costs and expenses, including costs of evidence of title and actual attorneys' and accountants' fees in any such action or proceeding in which Mortgagee may appear, in any suit brought by Mortgagee to foreclose this Mortgage. Any amounts paid by Mortgagee and reimbursed by Mortgagee pursuant to this Section, with interest thereon at the rate applicable under the Note, shall become indebtedness of Mortgagor to Mortgagee payable on demand, and secured by this Mortgage. Nothing contained in this Section shall require Mortgagee to incur any expense or do any act hereunder.

1.11 Acceleration on Transfer or Encumbrance of the Mortgaged Property. If Mortgagor sells, contracts to sell, gives an option to purchase, conveys, leases, encumbers, or alienates the Real Property, or any interest therein (excluding commercial space leases in the ordinary course of Mortgagor's business), or suffers its title, or any interest in the Real Property, to be divested, whether voluntarily or involuntarily, or in the event of a sale or transfer of beneficial interest in Mortgagor (if Mortgagor is a corporation, partnership, limited liability company, association, trust, or other legal entity) equal to twenty-five percent (25%) or more of the beneficial ownership interests of Mortgagor outstanding at the date of this Mortgage, or if title to such Real Property be subject to any lien or charge, voluntarily or involuntarily, contractual or statutory, without the written consent of Mortgagee being first had and obtained (except for taxes which constitute liens not yet due and such lien rights which have not yet resulted in lien notices or actions to foreclose such liens), Mortgagee, at Mortgagee's option, may, without prior notice, declare all sums secured by this Mortgage, irrespective of their stated due date, immediately due and payable, and may exercise all rights and remedies provided in this Mortgage.

1.12 Eminent Domain. Should the Mortgaged Property or any part thereof be taken or damaged by reason of any public improvement or condemnation proceeding, or by a sale or other transfer in lieu of condemnation or other taking, or should Mortgagor receive any notice or other information regarding such proceeding, Mortgagor shall give prompt written notice thereof to Mortgagee, and:

(a) Mortgagee shall be entitled to the extent of the obligations secured hereby 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 proceedings. Mortgagee shall also be entitled to make any compromise or settlement in connection with such taking or damage. All such compensation, awards, damages, rights of action and proceeds awarded to Mortgagor (the "Condemnation Proceeds") are hereby assigned to Mortgagee and Mortgagor agrees to execute such further assignments of the Condemnation Proceeds as Mortgagee may require.

(b) In the event any portion of the Mortgaged Property is so taken or damaged, and Mortgagee's security hereunder is not materially impaired, and in the event Mortgagor is not then in default hereunder or under any of the other Loan Documents or an Event of Default shall not have occurred or be continuing hereunder or thereunder, Mortgagee shall deliver, to the extent reasonably required, all or any portion of the Condemnation Proceeds to Mortgagor to be used in the repair and restoration of the Mortgaged Property upon such terms and conditions as Mortgagee may specify. Mortgagee may retain any of the Condemnation Proceeds not used in the repair and restoration of the

Mortgaged Property on account of the obligations secured hereby, whether such obligations are unmatured, contingent or otherwise. In the event that Mortgagor shall be in default hereunder or under any other Loan Document or an Event of Default shall have occurred and be continuing hereunder or thereunder, Mortgagee may retain any or all of the Condemnation Proceeds on account of the obligations secured hereby, whether such obligations are unmatured, contingent or otherwise, or may take any action provided herein, all without curing or waiving any default or notice of default hereunder or invalidating any act done pursuant to such notice.

1.13 Inspections. Mortgagee, or its agents, representatives or workmen, are authorized to enter at any reasonable time upon or in any part of the Mortgaged Property for the purpose of inspecting the same and for the purpose of performing any of the acts it is authorized to perform under the terms of this Mortgage.

1.14 Additional Security. In the event Mortgagee at any time holds additional security for any of the obligations secured hereby, it may enforce the sale thereof or otherwise realize upon the same, at its option, either before or concurrently herewith or after a sale is made hereunder. 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, an additional security agreement and/or financing statement covering all personal property of Mortgagor which may at any time be furnished, placed on, or annexed or made appurtenant to the Mortgaged Property and used, useful or held for use, in the operation of the improvements thereon. Any breach of or default under such security agreement shall constitute an Event of Default under this Mortgage.

1.15 INTENTIONALLY OMITTED.

1.16 Liens. Mortgagor shall pay and promptly discharge when due, at Mortgagor's cost and expense, all liens, encumbrances and charges upon the Mortgaged Property or any part thereof, excluding the lien created hereunder which Mortgagor shall pay in accordance with the terms of the Loan Documents; provided that the existence of any mechanic's, laborer's, materialman's, supplier's, or vendor's lien or right thereto shall not constitute a violation of this Section if payment is not yet due under the contract which is the foundation thereof and if such contract does not postpone payment for more than sixty (60) days after the payment therefor is or becomes due. Mortgagor shall have the right to contest in good faith the validity of any such lien, encumbrance or charge, provided Mortgagor shall first deposit with Mortgagee a bond or other security satisfactory to Mortgagee and in such amounts as Mortgagee shall reasonably require and provided further that Mortgagor shall thereafter diligently proceed to cause such lien, encumbrance or charge to be removed and discharged. If Mortgagor shall fail to discharge any such lien, encumbrance or charge, then, in addition to any other right or remedy of Mortgagee, Mortgagee may, but shall not be obligated to, discharge the same by paying the amount claimed to be due or by procuring discharge of such lien in such other manner as it may be authorized by law. Mortgagor shall provide Mortgagee with mechanics' lien insurance in form and at times satisfactory to Mortgagee.

1.17 Attorney-in-Fact. Mortgagor hereby constitutes and appoints Mortgagee as its true and lawful attorney-in-fact with full power of substitution for the purpose of performance of Mortgagor's obligations under this Mortgage, in its name or in the name of Mortgagor:

(a) to employ attorneys to defend against attempts to interfere with the exercise of the powers granted hereby,

(b) to pay, settle or compromise all existing bills and claims which are or may be liens against the Mortgaged Property or may be necessary or desirable for the clearance of objections to or encumbrances on title,

(c) to prosecute and defend all actions or proceedings in connection with the Mortgaged Property and to take such action, require such performance and do any and every other act as is deemed necessary with respect to the Mortgaged Property which Mortgagor might do on its own behalf,

(d) to employ watchmen and erect security fences to protect the Mortgaged Property from injury, and

(e) to take such action and require such performance as it deems necessary under any of the bonds or insurance policies to be furnished hereunder, to make settlements and compromises with the sureties or insurers thereunder, and in connection therewith to execute instruments of release and satisfaction.

Such appointment creates no obligation or duty upon Mortgagee to take or refrain from taking any action whatsoever. It is understood and agreed that the foregoing power of attorney shall be deemed to be a power coupled with an interest which cannot be revoked until repayment of all indebtedness of Mortgagor to Mortgagee under the Loan Documents. All sums expended by Mortgagee for such purposes shall be deemed to have been disbursed to Mortgagor for the purpose of protecting the security of this Mortgage and shall be secured by this Mortgage.

1.18 Collateral. With respect to the security interest granted in this Mortgage with respect to the Collateral, Mortgagee shall have all the rights and remedies granted to a secured party under Article 9 of the UCC, as well as all other rights and remedies available at law or in equity. Mortgagor shall, upon the demand of Mortgagee, assemble all of such personal property and make it available to Mortgagee at the Mortgaged Property, which is hereby agreed to be reasonably convenient to Mortgagee. The proceeds of any sale of such personal property shall be applied first to the expenses of Mortgagee in retaking, holding, preparing for sale, selling or similar matters, including actual attorney's fees.

1.19 Hazardous Substances, Environmental Laws.

(a) Definitions.

"Environmental Law" shall mean any federal, state, or local law, statute, ordinance, or regulation which imposes any liability or disability on any owner, occupant, lender, mortgagee, or party in interest or which places any restriction on the ownership, occupancy, transferability, or use of any real property by reason of any presence or use of or occurrence regarding any Hazardous Substance, including without limitation the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 ("CERCLA") 42 U.S.C. Section 9601 et seq., as amended by Superfund Amendments and Reauthorization Act of 1986 ("SARA"), Pub. L. 99-499, 100 Stat. 1613, the Resource Conservation and Recovery

Act of 1976 ("RCRA"), 42 U.S.C. Section 6901 et seq., the Clean Air Act ("CAA"), P.L. 84-159, as amended by Pub. L. 98-213, 42 U.S.C. Section 7401 et seq., The Federal Water Pollution Control Act (as amended by the Clean Water Act of 1977 ("WP")), 33 U.S.C. Section 1251 et seq., the Toxic Substances Control Act of 1976 ("TSCA"), 15 U.S.C. Section 2601 et seq., California Health and Safety Code, Section 25249.5 et seq., and any modifications, amendments, and successors to any of the foregoing.

"Violation of Environmental Law" shall mean any breach or violation of any Environmental Law, or any event, occurrence, or condition as a consequence of which, pursuant to any Environmental Law, (i) Mortgagor, Mortgagee, or any owner, occupant, or person having any interest in the Mortgaged Property shall be liable or suffer any disability, or (ii) the Mortgaged Property shall be subject to any restriction on use, ownership, transferability, or (iii) any Remedial Work shall be required.

"Hazardous Substance" shall include without limitation:

(i) Those substances included within the definitions of "hazardous substances," "hazardous materials," "toxic substances," or "solid waste" in CERCLA, RCRA, Sections 307 and 311 of CAA, and the Hazardous Materials Transportation Act, 49 U.S.C. Sections 1801 et seq., or in any successors thereto, or in the regulations promulgated pursuant to said laws;

(ii) Those substances defined as "hazardous waste," "extremely hazardous waste" or "restricted hazardous waste" in Sections 25115, 25117, 25122.7 and 25140 of the California Health and Safety Code, or as "hazardous substances" in Sections 25316 and 25281 of the California Health and Safety Code, and in the regulations promulgated pursuant to said laws;

(iii) Those substances listed in the United States Department of Transportation Table (49 CFR 172.101 and amendments thereto) or by the Environmental Protection Agency (or any successor agency) as hazardous substances (40 CFR Part 302 and amendments thereto);

(iv) Petroleum, asbestos, polychlorinated biphenyls, flammable explosives, radioactive materials, or any material containing or constituting any of the foregoing; and

(v) Such other substances, materials, and wastes which are or become regulated by reason of actual or threatened risk of toxicity causing injury or illness, under any Environmental Law or other applicable federal, state or local law, statute, ordinance, or regulation, or which are classified as hazardous or toxic under federal, state, or local laws or regulations.

"Remedial Work" shall have the meaning set forth in Section 1.20(c)(vi).

(b) Limitation. The provisions of this Section 1.20 do not apply to any ordinary use and incidental storage of small and insignificant amounts of substances reasonably necessary for the regular and ordinary maintenance of the Mortgaged Property, or consumed in the regular and ordinary use of common office business machines, nor to

gasoline, oil, and other ordinary automotive fluids to the extent that they are contained in the common and ordinary manner in motor vehicles visiting the Mortgaged Property, in each case provided that the same do not constitute, give rise to, or create any substantial risk of any Violation of Environmental Law.

(c) Covenants Regarding Environmental Compliance.

(i) Mortgagor shall not use, generate, manufacture, produce, keep, store, spill, release, discharge, dispose of, or permit any presence or existence of any Hazardous Substance on, under, or about the Mortgaged Property or transport any Hazardous Substance to or from the Mortgaged Property. Mortgagor will strictly and absolutely prevent all persons and entities from doing any of the foregoing.

(ii) Mortgagor shall keep and maintain the Mortgaged Property in compliance with all Environmental Laws, and will strictly and absolutely prevent and will not permit or suffer to occur any Violation of Environmental Law pertaining to Mortgagor or the Mortgaged Property.

(iii) Mortgagor shall give immediate written notice to Mortgagee of: (a) any proceeding, inquiry, notice, or other communication by or from any governmental authority, including without limitation the Environmental Protection Agency, regarding the presence or existence of any Hazardous Substance on, under, or about the Mortgaged Property or any migration thereof from or to the Mortgaged Property or any actual or alleged Violation of Environmental Law; (b) all claims made or threatened against Mortgagor or the Mortgaged Property relating to any loss or injury resulting from or pertaining to any Hazardous Substance or Violation of Environmental Law; (c) Mortgagor's discovery of any occurrence or condition on any real property adjoining or in the vicinity of the Mortgaged Property that could cause the Mortgaged Property or any part thereof to be subject to any restrictions on ownership, occupancy, transferability, or use, or subject the owner or any person having any interest in the Mortgaged Property to any liability, penalty, or disability under any Environmental Law; and (d) Mortgagor's receipt of any notice or discovery of any information regarding any actual, alleged, or potential use, manufacture, production, storage, spillage, seepage, release, discharge, disposal or any other presence or existence of any Hazardous Substance on, under, or about the Mortgaged Property, or any Violation of Environmental Law pertaining to Mortgagor or the Mortgaged Property.

(iv) Immediately upon receipt of the same, Mortgagor shall deliver to Mortgagee copies of any and all orders, notices, permits, applications, reports, and other communications, documents, and instruments pertaining to the actual, alleged, or potential presence or existence of any Hazardous Substance on, under, or about the Mortgaged Property or Violation of Environmental Law pertaining to Mortgagor or the Mortgaged Property.

(v) Mortgagee shall have the right to join and participate in, as a party if it so elects, any legal proceedings or actions in connection with the Mortgaged Property involving any Hazardous Substance or any Environmental Law, and Mortgagor shall reimburse Mortgagee upon demand for all of Mortgagee's costs and expenses in connection therewith, including actual attorneys' fees.

(vi) In the event that any investigation, site monitoring, containment, cleanup, removal, restoration or other remedial work of any kind or nature (collectively, "Remedial Work") is necessary or required under any applicable local, state or federal law or regulation, any judicial order, or by Mortgagee or any lawful authority because of, or in connection with, any presence, suspected presence, release or suspected release of a Hazardous Substance in or into the air, soil, groundwater, surface water or soil vapor, on, under, or about the Mortgaged Property, Mortgagor shall within thirty (30) days after written demand by Mortgagee for performance thereof (or such shorter period of time as may be required under any applicable law, regulation, order, or agreement), commence to perform, or cause to be commenced and thereafter diligently prosecuted to completion, all such Remedial Work. All Remedial Work shall be performed by one or more contractors, approved in advance in writing by Mortgagee, and under the supervision of a consulting engineer approved in advance in writing by Mortgagee. All costs and expenses of such Remedial Work shall be paid by Mortgagor including without limitation the charges of any contractors or consulting engineers, and Mortgagee's actual attorneys' fees and costs incurred in connection with monitoring or review of such Remedial Work. If Mortgagor shall fail to timely commence, or cause to be commenced, or fail to diligently prosecute to completion, such Remedial Work, Mortgagee may but shall not be required to cause such Remedial Work to be performed, and Mortgagor shall reimburse Mortgagee upon demand for all costs and expenses thereof or incurred in connection therewith.

(vii) Mortgagee is authorized by itself, its agents, employees or workmen to enter at any reasonable time upon any part of the Mortgaged Property for the purposes of inspecting the same for Hazardous Substances and Mortgagor's compliance with the provisions hereof. Such inspections may include without limitation soil borings. Mortgagor shall pay Mortgagee, upon demand, all expenses, costs, or other amounts incurred by Mortgagee in performing any such inspection.

(d) Certain Obligations Unsecured. Anything to the contrary set forth herein or elsewhere notwithstanding, the lien of this Mortgage shall not secure (i) any obligations evidenced by or arising under that certain Unsecured Environmental Indemnity of even date herewith executed by Mortgagor, in favor of Mortgagee ("Unsecured Obligations"), or (ii) any other obligations to the extent that they are the same or have the same effect as any of the Unsecured Obligations. Only to the extent that any obligations evidenced by, arising under, or incorporated in this Mortgage are the same or have the same effect as Unsecured Obligations, such obligations hereunder shall not be secured by the lien of this Mortgage, but such obligations shall continue in full force and effect nonetheless, and any breach or default of any such obligations shall constitute a breach or default under this Mortgage (but the proceeds of any foreclosure sale hereunder shall not be applied against such obligations that are the same or have the same effect as Unsecured Obligations). Nothing in this paragraph (d) shall in any way limit or otherwise affect the right of Mortgagee to obtain a judgment in accordance with applicable law for any deficiency in recovery of all obligations that are secured by this Mortgage following foreclosure hereof, notwithstanding that such deficiency may result from diminution in the value of the Mortgaged Property by reason of any event or occurrence pertaining to Hazardous Substances or the effect of any laws pertaining thereto.

1.20 Security Agreements/Fixture Filing.

(a) The grant of a security interest to Mortgagee in the granting clauses of this Mortgage shall not be construed to derogate from or impair the lien or provisions of or the rights of Mortgagee under this Mortgage with respect to any property described herein which is real property or which the parties have agreed to treat as real property. 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 and 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.

(b) Mortgagor hereby irrevocably constitutes and appoints Mortgagee as its attorney-in-fact, to execute, deliver and file with the appropriate filing officer or office such security agreements, financing statements and/or other instruments as Mortgagee may request or require in order to impose and perfect the lien and security interest hereof more specifically on the Collateral or any fixtures.

(c) If Mortgagor enters into a separate security agreement with Mortgagee relating to any of the personal property or fixtures, the terms of such security agreement shall govern the rights and remedies of Mortgagee in the event of default thereunder. The occurrence and continuance of any breach of or default, if not cured within the applicable grace or cure period, if any, under any such security agreement shall constitute an Event of Default hereunder.

(d) Mortgagor shall not permit any goods which may become fixtures attached to the Real Property, or any part thereof, to be subject to a purchase money security interest held by a seller or any other party.

(e) Mortgagor shall, before executing any security agreement or other document evidencing such security interest, obtain the prior written approval of Mortgagee, and all requests for such written approval shall be in writing and contain the following information:

- (i) a description of the fixtures to be replaced, added to, installed or substituted;
- (ii) the address at which the fixtures will be replaced, added to, installed or substituted; and
- (iii) the name and address of the proposed holder and proposed amount of the security interest.

(f) If Mortgagor fails to make any payment on an obligation secured by a purchase money security interest in any of the Collateral or any fixtures, Mortgagee, at its option, may at any time pay the amount secured by such security interest and the amount so paid shall be (i) secured by this Mortgage and shall be a lien on the Mortgaged Property having the same priorities as the liens and security interests created by this Mortgage, and (ii)

payable on demand with interest from the date of disbursement at the rate applicable under the Note.

(g) Mortgagee shall have the right to acquire by assignment from the holder of such security interest any and all contract rights, accounts receivable, negotiable or nonnegotiable instruments, or other evidence of Mortgagor's indebtedness for such Collateral or fixtures, and, upon acquiring such interest by assignment, shall have the right to enforce the security interest as assignee thereof, in accordance with the terms and provisions of the UCC then in effect, and in accordance with any other provisions of law.

(h) Whether or not Mortgagee has paid the indebtedness secured by or taken an assignment of such security interest, Mortgagor shall pay all sums and perform all obligations secured thereby, and if Mortgagor at any time shall be in default for a period of ten (10) days under such security agreement, it shall be a material breach of Mortgagor's covenants under this Mortgage, whereupon Mortgagee may declare that an Event of Default has occurred hereunder.

(i) The provisions of paragraphs (e), (f) and (g) above shall not apply if the goods which may become fixtures are of at least equivalent value and quality as any property being replaced and if the rights of the party holding such security interest have been expressly subordinated, at no cost to Mortgagee, to the lien of this Mortgage in a manner satisfactory to Mortgagee, including without limitation at the option of Mortgagee, providing to Mortgagee a satisfactory opinion of counsel to the effect that this Mortgage constitutes a valid and subsisting first lien on such fixtures which is not subordinate to the lien of such security interest under any applicable law, including without limitation the provisions of UCC Section 9334.

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ARTICLE 2

DEFAULTS BY MORTGAGOR AND MORTGAGEE'S REMEDIES

2.1 Events Of Default.

(a) The occurrence of an Event of Default (as defined in the Loan Agreement) or the failure of Mortgagor to perform any of its obligations under this Mortgage shall constitute an Event of Default hereunder.

(b) Whenever any other agreement or document contemplated in or by the Loan Agreement makes reference to a "default" under this Mortgage, such reference shall be an Event of Default as defined in paragraph (a) of this Section 2.1.

2.2 Remedies. Upon the occurrence and during the continuance of any Event of Default under this Mortgage, Mortgagee at its option and without notice to Mortgagor may do or cause any one or more of the following:

(a) Commencement of an action to foreclose this Mortgage by judicial action; and/or

(b) Exercise of any or all rights provided or permitted by law or granted pursuant to this Mortgage in such order and in such manner as Mortgagee may, in its sole and exclusive judgment, determine.

2.3 Foreclosure.

(a) If Mortgagee at any time holds additional security for any obligations secured hereby, it may enforce the terms hereof 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 or power whether exercised hereunder or contained herein or in any such other security.

(b) In the event of any sale made hereunder by virtue of judicial proceedings or of a judgment or decree of foreclosure and sale, the entire indebtedness secured hereby, if not previously due and payable, immediately thereupon shall, anything in the Note or in this Mortgage to the contrary notwithstanding, become due and payable.

(c) No recovery of any judgment by Mortgagee and no levy of an execution under any judgment upon the Mortgaged Property or upon any other property of Mortgagor shall affect in any manner or to any extent, the lien of this Mortgage upon the Mortgaged Property or any part thereof, or any liens, rights, powers or remedies of Mortgagee hereunder, but such liens, rights, powers and remedies of Mortgagee shall continue unimpaired as before.

2.4 Appointment of Receiver. If an Event of Default described in Section 2.1 of this Mortgage shall have occurred and be continuing, Mortgagee, as a matter of right, without regard to the then value of the Mortgaged Property or the interest of Mortgagor therein, may apply to any court having jurisdiction to appoint a receiver or receivers of the Mortgaged Property. Any such receiver or receivers shall have all the usual powers and duties of receivers in like or similar cases and all the powers and duties of Mortgagee in case of entry as contemplated in or by this Mortgage and shall be entitled to continue as such and exercise all such powers until the date of confirmation of sale of the Mortgaged Property, unless such receivership is sooner terminated.

2.5 Remedies Not Exclusive. No remedy herein conferred upon Mortgagee is intended to be exclusive of any other remedy herein, or in any other agreement between Mortgagor and Mortgagee or by law provided or permitted, but each shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law, in equity or by statute. Every power or remedy given by this Mortgage to Mortgagee or to which it may be otherwise entitled, may be exercised, concurrently or independently, from time to time and as often as may be deemed expedient by Mortgagee and Mortgagee may pursue inconsistent remedies.

2.6 Nonwaiver of Remedies. No waiver of any breach or default under any provision of this Mortgage shall constitute or be construed as a waiver by Mortgagee of any subsequent breach of or default under that or any other provision of this Mortgage.

ARTICLE 3

MISCELLANEOUS PROVISIONS

3.1 Notices. Except as otherwise provided in this Mortgage, all notices and other communications required or permitted to be given to or made upon either party hereto shall be in writing and shall be given in the manner prescribed in Section 7.4 of the Loan Agreement. The parties' initial addresses for notice are set forth below:

Mortgagor:

Andrew Jin-Chan Cherng and Peggy Tsiang Cherng, Co-Trustees of the
Cherng Family Trust dated October 30, 1987
1683 Walnut Grove Avenue
Rosemead, California 91770-3711
Telephone: (626) 799-9898
Facsimile: (626) 403-8600

With a copy to:

Dennis P. Burke, Esq.
R. Michael Wilkinson Profesional Corporation
1683 Walnut Grove Avenue, Suite 201
Rosemead, California 91770
Telephone: (626) 307-0101
Facsimile: (626) 307-2261

Mortgagee:

United Overseas Bank Limited
777 South Figueroa Street, Suite 518
Los Angeles, California 90017
Attention: Mr. Hoong Chen, First Vice President and General Manager
Telephone: (213) 623-8042
Facsimile: (213) 623-3412

3.2 Assignability. This Mortgage shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors, heirs, estates and assigns, provided, however, that Mortgagor may not assign this Mortgage or any of its rights or obligations under this Mortgage without the prior written consent of Mortgagee. In this Mortgage, whenever the context so requires, the masculine gender includes the feminine and/or neuter, and the singular number includes the plural.

3.3 Headings. Headings of the Articles and Sections of this Mortgage are inserted for convenience only and shall not be deemed to constitute a part hereof.

3.4 Modifications. This Mortgage cannot be changed, modified or supplemented except in a writing signed by the party against whom enforcement of such change, modification or supplement is sought.

3.5 Payment on Nonbusiness Days. Whenever any payment to be made hereunder shall be due on a Saturday, Sunday or public holiday under the laws of the

jurisdiction in which payment is to be made, such payment may be made on the next succeeding business day and such extension of time shall be included in computing any interest in connection with such payment.

3.6 Modifications of Security.

(a) Without affecting the liability or obligations of any person, including Mortgagor, for the performance of any obligations secured hereby (excepting only any person or property otherwise expressly released in writing by Mortgagee), Mortgagee may from time to time and without notice release any person liable for payment of any of said indebtedness or the performance of said obligations, extend the time of payment or otherwise alter the terms of any of said obligations, accept additional security therefor of any kind, including trust deeds or mortgages, or alter, substitute or release any property securing said obligations.

(b) At any time and from time to time upon written request of Mortgagor, payment of its fees and costs, and without affecting the liability of any person for the payment of the indebtedness secured hereby or for the performance of any obligations hereunder, Mortgagee may, in its discretion, consent to the making of any map or plat of the Real Property, join in granting any easement or creating any restriction thereon and join in any subordination or other agreement affecting this Mortgage or the lien or charge hereof.

(c) Upon request of Mortgagee, Mortgagor shall reexecute, reacknowledge and rerecord this Mortgage, or execute, acknowledge, deliver and record a new instrument or instruments, and do all other acts and things necessary to preserve the validity and the efficacy hereof as a conveyance of and continued encumbrance upon the Mortgaged Property, but such acts shall neither extend nor modify Mortgagor's liability or obligations hereunder.

3.7 Satisfaction of Mortgage. Upon repayment in full of the indebtedness secured hereby and all other sums owed by Mortgagor to Mortgagee, Mortgagee shall execute, acknowledge and deliver to or upon the instructions of Mortgagor, a satisfaction hereof or, if Mortgagor so elects, an assignment hereof, which assignment shall be without recourse, representation or warranty, each in recordable form. Such satisfaction or assignment shall be recorded by Mortgagor at Mortgagor's sole cost and expense.

3.8 Statements by Mortgagor. Mortgagor, within thirty (30) days after being given notice by mail, will furnish to Mortgagee a written statement stating the amounts of any monetary obligation, and describing any other obligations, secured by this Mortgage and stating whether any offset or defense exists against such principal and interest.

3.9 Actions by Mortgagee to Preserve Mortgaged Property. Should Mortgagor fail to make any payment or to do any act as herein provided, Mortgagee, but without obligation to do so and without notice to or demand upon Mortgagor and without releasing Mortgagor from any obligation hereof or secured hereby, may within such times and in such manner as Mortgagee may deem reasonable make or do the same in such manner and to such extent as either may deem necessary to protect the security hereof. In connection therewith (without limiting their general powers), Mortgagee shall have and are hereby given the rights (i) to make additions, alterations, repairs and improvements to the Mortgaged Property which it may consider necessary or proper to keep the Mortgaged Property in good condition and

repair, (ii) to appear in and defend any action or proceeding purporting to affect the Mortgaged Property or any portion thereof or the rights or powers of Mortgagee, (iii) to pay, purchase, contest or compromise any encumbrance, charge, or lien which in the judgment of either appears to be prior or superior hereto, and (iv) in exercising any such powers, to pay necessary expenses, employ counsel, accountants and other assistance and pay their actual fees. Any amounts expended by Mortgagee pursuant to this Section shall be additional indebtedness of Mortgagor to Mortgagee payable on demand and shall bear interest from the date of expenditure to the date paid at the rate applicable under the Note. Nothing herein shall require Mortgagee to incur any expense or to do any act hereunder.

3.10 Statute of Limitations. The pleading of the statute of limitations as a defense of this Mortgage, or any and all obligations referred to herein or secured hereby, is hereby waived to the full extent permissible by law.

3.11 Waiver of Right of Offset. No portion of the indebtedness secured by this Mortgage shall be or be deemed to be offset or compensated by all or any part of any claim, cause of action, counterclaim, or cross-claim, whether liquidated or unliquidated, which Mortgagor may have or claim to have against Mortgagee. Mortgagor waives, to the fullest extent permitted by applicable law, the benefits of California Code of Civil Procedure Section 431.70, which provides:

“Where cross-demands for money have existed between persons at any point in time when neither demand was barred by the statute of limitations, and an action is thereafter commenced by one such person, the other person may assert in the answer the defense of payment in that the two demands are compensated so far as they equal each other, notwithstanding that an independent action asserting the person’s claim would at the time of filing the answer be barred by the statute of limitations. If the cross-demand would otherwise be barred by the statute of limitations, the relief accorded under this section shall not exceed the value of the relief granted to the other party. The defense provided by this section is not available if the cross-demand is barred for failure to assert it in a prior action under Section 426.30. Neither person can be deprived of the benefits of this section by the assignment or death of the other. For the purposes of this section, a money judgment is a “demand for money” and, as applied to a money judgment, the demand is barred by the statute of limitations when enforcement of the judgment is barred under Chapter 3 (commencing with Section 683.010) of Division 1 of Title 9.”

and any statute of the state of Indiana to similar effect.

3.12 Waiver of Marshaling. Notwithstanding the existence of interests in the Mortgaged Property other than that created by this Mortgage, and notwithstanding any other provision of this Mortgage, upon an Event of Default, Mortgagee shall have the right, in Mortgagee’s sole discretion, to determine the order in which the Mortgaged Property shall be subjected to the remedies provided in this Mortgage and to determine the order in which all or

any part of the indebtedness secured by this Mortgage is satisfied from the proceeds realized upon the exercise of the remedies provided in this Mortgage. Mortgagor and any person who now has or hereafter acquires any interest in the Mortgaged Property with actual or constructive notice of this Mortgage waives any and all right to require a marshalling of assets in connection with the exercise of any of the remedies provided in this Mortgage or as otherwise provided by applicable law.

3.13 Taxation of Mortgage. In the event of the enactment of any law deducting from the value of the Mortgaged Property any mortgage lien on it, or imposing upon Mortgagee the payment of all or part of the taxes, charges, or assessments previously paid by Mortgagor pursuant to this Mortgage, or changing the law relating to the taxation of mortgages, debts secured by mortgages, or Mortgagee's interest in the Mortgaged Property so as to impose new incidents of tax on Mortgagee, other than income taxes of Mortgagee; then Mortgagor shall pay such taxes or assessments or shall reimburse Mortgagee for payment of such taxes or assessments; provided that, however, if in the opinion of counsel to Mortgagee such payment cannot lawfully be made by Mortgagor, then Mortgagee may, at Mortgagee's option, declare all of the sums secured by this Mortgage to be immediately due and payable without notice to Mortgagor, and Mortgagee may invoke any remedies permitted by this Mortgage.

3.14 Merger or Termination of Lease. Upon the foreclosure of the lien of this Mortgage on the Mortgaged Property, any lease or sublease then existing and affecting all or any portion of the Mortgaged Property shall not be destroyed or terminated by application of the law of merger or as a matter of law or as a result of such foreclosure. No act by or on behalf of Mortgagee or any such purchaser shall constitute a termination of any lease or sublease.

3.15 Request for Notice. Mortgagor hereby requests a copy of any notice of default and any notice of sale hereunder be mailed to it at the address set forth for Mortgagor in this Mortgage.

3.16 Further Assurances. Mortgagor agrees to do or cause to be done such further acts and things and to execute and deliver or to cause to be executed and delivered such additional assignments, agreements, powers and instruments, as Mortgagee may reasonably require or deem advisable to keep valid and effective the lien and security interest of this Mortgage, to carry into effect the purposes of this Mortgage or to better assure and confirm to Mortgagee its rights, powers and remedies under this Mortgage.

3.17 Attorneys' Fees. Mortgagor will give Mortgagee immediate written notice of any action or proceeding (including without limitation any judicial or nonjudicial proceeding to foreclose the lien of a junior or senior mortgage) affecting or purporting to affect the Mortgaged Property, this Mortgage, Mortgagee's security for the performance of Mortgagor's obligations under the Loan Agreement and under the Note, or the right or powers of Mortgagee under the Loan Agreement, the Note or this Mortgage. Notwithstanding any other provision of this Mortgage, Mortgagor agrees that Mortgagee may (but neither is obligated to) commence, appear in, prosecute, defend, compromise and settle, in Mortgagee's or Mortgagor's name, and as attorney-in-fact for Mortgagor, and incur necessary costs and expenses, including actual attorneys' fees, in pursuing any action or proceeding, whether judicial or nonjudicial, reasonably necessary to preserve or protect, or affecting or purporting to affect, the Mortgaged Property, this Mortgage, Mortgagee's security for the performance of

Mortgagor's obligations under the Loan Agreement, the Note, or the rights or powers of Mortgagee under the Loan Agreement, the Note or this Mortgage; and that, if Mortgagee elects not to do so, Mortgagor will commence, appear in, prosecute, and defend any such action or proceeding. Mortgagor will pay all costs and expenses of Mortgagee, including costs of evidence of title and actual attorneys' fees, in any such action or proceeding in which Mortgagee may appear, or for which legal counsel is sought, whether by virtue of being made a party defendant or otherwise, and whether or not the interest of Mortgagee in the Mortgaged Property is directly questioned in such action or proceeding, including without limitation any action for the condemnation or partition of all or any portion of the Mortgaged Property and any action brought by Mortgagee to foreclose this Mortgage or to enforce any of its terms or provisions. In addition to the foregoing award of attorneys' fees, Mortgagee shall be entitled to attorneys' fees incurred in any postjudgment proceeding to enforce any judgment in connection with the Loan Agreement, the Note or this Mortgage. This provision is separate and several and shall survive the merger of this provision into any judgment.

3.18 Governing Law. The provisions of this Mortgage shall be governed by and construed under the laws of the State of Indiana, without regard to conflict of laws principles.

3.19 State Specific Provisions. Notwithstanding anything to the contrary contained in this Mortgage or any other Loan Document, with respect to the Mortgaged Property which is located in the State of Indiana:

(a) Maturity. The obligations under the Note have a final maturity date of the date which is seven years after the date of first disbursement of funds to or on account of Borrower under the Note, which date shall be not later than January 31, 2011.

(b) Future Advances. This Mortgage is intended to secure future advances made under the Note and/or under the other Loan Documents, and all modifications, extensions and renewals of any of the foregoing, with the same priority as if made on the day of execution of this Mortgage, up to a maximum amount of Four Million And No/100 Dollars (\$4,000,000.00) pursuant to Indiana Code § 32-29-1-10. The maximum amount stated in the preceding sentence does not affect or alter the principal amount which Mortgagor is entitled to borrow under the Note and/or under any Loan Documents, and may be in excess of permitted borrowing to cover expenses, accrued interest, costs of collection and the like.

(c) Disclosure Law. Mortgagor has complied, and will comply, with the Indiana Responsible Property Transfer Law, Indiana Code § 13-25-3-1 et seq. (the "Disclosure Law"), by (1) the completion and delivery to the Mortgagee of a disclosure document in the form required by the Disclosure Law (the "Disclosure Document"), if required under the Disclosure Law, (2) the timely recording in the Office of the Recorder of the County in which the Mortgaged Property is located of such Disclosure Document, and (3) the timely filing in the Office of the Indiana Department of Environmental Management, of such Disclosure Document; or Mortgagor has determined after diligent investigation that the Mortgaged Property does not constitute "Property" under the Disclosure Law and therefore delivery, filing and recording of a Disclosure Document is not required. Failure by Mortgagor to fully comply with the Disclosure Law shall constitute an Event of Default hereunder, and Mortgagee shall be entitled to pursue any and all remedies provided herein, or in the Disclosure Law.

(d) Non-Waiver. Nothing in this Mortgage is intended to constitute a waiver of deficiency under Indiana Code §32-29-7-5 nor a consent by the Mortgagee to such a waiver.

(e) Collection Cost Recovery. This Mortgage shall secure, and Mortgagee shall be entitled to collect from Mortgagor and add to the Debt, including without limitation in any proceeding to enforce this Mortgage or foreclose upon the Mortgaged Property, all expenses of any environmental site assessments, environmental audits, environmental remediation costs, appraisals, surveys, engineering studies, wetlands delineations, flood plain studies, and any other similar testing or investigation deemed necessary or advisable by Mortgagee incurred in preparation for, contemplation of or in connection with the enforcement of this Mortgage and/or the collection of the Debt. In addition, this Mortgage shall secure, and Mortgagee shall be entitled to collect from Mortgagor and add to the Debt, including without limitation in any proceeding to enforce this Mortgage or foreclose upon the Mortgaged Property, all costs of collection, including without limitation attorneys fees, para-professional costs, secretarial and word processing costs, document imaging and data transfer costs, research costs, telephone and telecommunication costs, transportation costs and other related costs and expenses.

(f) Receiver. Mortgagor agrees that Mortgagee shall be entitled to the appointment of a receiver as a matter of right in accordance with Indiana Code § 32-30-5-1 in any action by Mortgagee seeking to enforce this Mortgage, including without limitation by foreclosure.

(g) No Merger. If both any leasehold estate and the fee estate for all or any portion of the Mortgaged Property at any time become vested in one owner, this Mortgage and the lien created hereby shall not be merged, destroyed or terminated by application of the doctrine of merger and, in such event, Mortgagee shall continue to have and enjoy all of the rights and privileges of the Mortgagee as to the separate estates. In addition, upon the foreclosure of the lien of this Mortgage, pursuant to the provisions hereof or applicable law, or upon any conveyance in lieu thereof, neither the fee estate, nor any leases, subleases, or sub-subleases then existing with respect to all or any portion of the Mortgaged Property shall be merged, terminated or destroyed by application of the doctrine of merger, or as a result of such foreclosure or conveyance, unless in such case Mortgagee or any purchaser at any foreclosure sale shall elect in writing to the contrary.

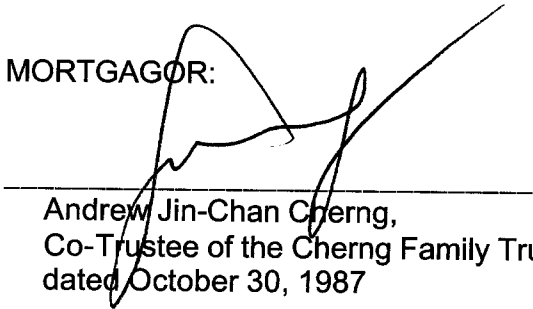
(h) No Joint Venture. Nothing contained in this Mortgage or any other Loan Document is intended to create a partnership, joint venture or association between Mortgagor and Mortgagee or in any way make Mortgagee a co-principal with Mortgagor with reference to the Mortgaged Property, and any inferences to the contrary are hereby expressly negated.

(i) Tradenames. Mortgagor warrants that Mortgagor does business under no other names with respect to the Mortgaged Property. Mortgagor shall immediately notify Mortgagee in writing of any change in the name of and the use of any tradenames by, Mortgagor and, upon request of Mortgagee, shall execute any additional financing statements and other certificates required to reflect any change in name or tradenames and shall execute and file any assumed name certificate required by applicable laws including without limitation Indiana Code § 23-15-1-1.

(j) Subrogation; Waiver. If any of the proceeds of the Note are utilized to pay off outstanding liens against all or any part of the Mortgaged Property, Mortgagee shall be subrogated to any and all rights, superior titles, liens and equities owned or claimed by any owner or holder of any such outstanding liens and debts, however remote, regardless of whether said liens or debts are acquired by Mortgagee by assignment, or are released by the holder thereof upon payment. Mortgagor, any guarantors and any endorsers hereof or of the Note jointly and severally waive absolutely and unconditionally any and all rights of subrogation to the rights of Mortgagee hereunder or under any Loan Document. All guaranties and endorsements of any Loan Document shall contain a waiver of subrogation approved by Mortgagee.

IN WITNESS WHEREOF, Mortgagor has executed this Mortgage as of the date first set forth above.

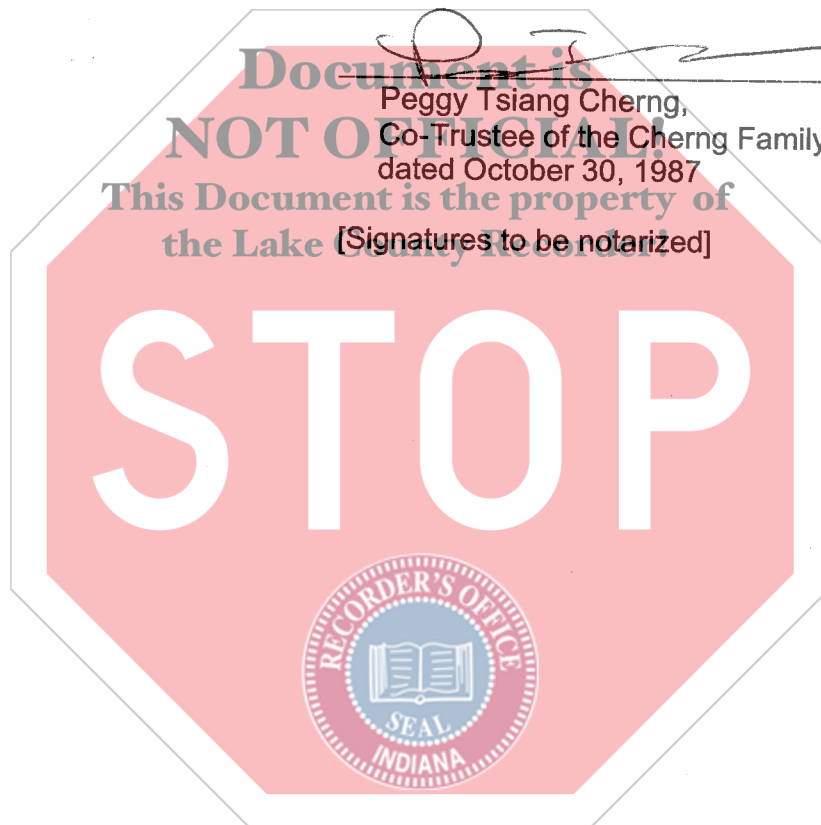
MORTGAGOR:



Andrew Jin-Chan Cherng,
Co-Trustee of the Cherng Family Trust
dated October 30, 1987



Peggy Tsiang Cherng,
Co-Trustee of the Cherng Family Trust
dated October 30, 1987

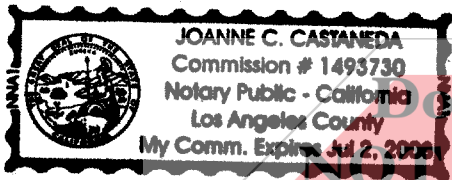


ACKNOWLEDGMENT

STATE OF CALIFORNIA)
) ss.
COUNTY OF LOS ANGELES)

On January 12, 2005, before me, JOANNE C. CASTANEDA, Notary Public, personally appeared **ANDREW JIN-CHAN CHERNG and PEGGY TSIANG CHERNG**, personally known to me (or proved to me on the basis of satisfactory evidence) to be the persons whose names are subscribed to the within instrument and acknowledged to me that they executed the same in their authorized capacities, and that by their signatures on the instrument the persons, or the entity upon behalf of which the persons acted, executed the instrument.

WITNESS my name and official seal.



Joanne C. Castaneda

Notary Public in and for the State of California

My commission expires: July 2, 2008

Document Title:

Mortgage, Security Agreement and Fixture Filing

re: Loan from United Overseas Bank Limited for Property located in Highland, Indiana



Exhibit A
to Mortgage, Security Agreement and Fixture Filing

LEGAL DESCRIPTION OF PROPERTY

THE LAND REFERRED TO HEREIN IS SITUATED IN THE STATE OF INDIANA, COUNTY OF LAKE, DESCRIBED AS FOLLOWS:

That part of Lot 1 in Highland Town center Subdivision, as shown in Plat Book 77 page 223, being a subdivision of part of the West 1/2 of the Southwest 1/4 of Section 33, and part of the Southeast 1/4 of Section 32, all in Township 36 North, Range 9 West of the Second Principal Meridian, according to the Plat thereof, recorded September 8, 1994 as Document No. 94063408 described as follows: Commencing at the Southeast corner of said Lot 1; thence North 89 degrees 27 minutes 34 seconds West, along the South line of Lot 1, a distance of 1148.11 feet; thence North 00 degrees 11 minutes 11 seconds West, along a Westerly line of said Lot 1, a distance of 0.09 feet; thence North 34 degrees 46 minutes 25 seconds West, along a Westerly line of Lot 1, a distance of 17.72 feet; thence North 01 degrees 55 minutes 20 seconds East, along a Westerly line of said Lot 1, a distance of 248.52 feet; thence North 02 degrees 34 minutes 45 seconds East, along a Westerly line of said Lot 1, a distance of 374.45 feet; thence North 44 degrees 51 minutes 46 seconds East, along a Westerly line of said Lot 1, a distance of 40.57 feet; thence North 02 degrees 34 minutes 45 seconds East, along a Westerly line of said Lot 1, a distance of 60.00 feet; thence North 41 degrees 03 minutes 43 seconds West, along a Westerly line of said Lot 1, a distance of 39.55 feet; thence Northerly 02 degrees 34 minutes 45 seconds East, along a Westerly line of said Lot 1, a distance of 125.89 feet; thence North 01 degrees 08 minutes 49 seconds East, along a Westerly line of said Lot 1, a distance of 87.11 feet to the point of beginning; thence continuing on last described course North 01 degrees 08 minutes 49 seconds East, 97.61 feet; thence South 88 degrees 51 minutes 11 seconds East, 10.00 feet; thence North 01 degrees 08 minutes 49 seconds East, along a Westerly line of said Lot 1, a distance of 14.14 feet; thence North 89 degrees 50 minutes 12 seconds East, along a line at right angles to the East line of said Lot 1, a distance of 270.64 feet; thence Southerly on a curve, concave Easterly, having a radius of 441.00 feet, an arc distance of 107.35 feet and a chord bearing South 06 degrees 48 minutes 38 seconds West, to a point 847.24 feet West of the East line of said Lot 1 (as measured at right angles thereto); thence South 00 degrees 09 minutes 48 seconds East, along a line parallel to said East line of Lot 1, a distance of 5.20 feet; thence South 89 degrees 50 minutes 12 seconds West, along a line at right angles to said East line of Lot 1, a distance of 270.19 feet to the point of beginning, in the Town of Highland, Lake County, Indiana.

Less and except that property conveyed by U.S. Restaurant Properties Operating L.P. to the State of Indiana pursuant to that certain Limited Warranty Deed with Limitation of Access dated February 8, 2002 recorded February 8, 2002 as Document No. 2002-39128, in the office of the Recorder of Lake County, Indiana, said property being more particularly described as follows:

A part of Lot 1 in Highland Town Center Subdivision, an addition to the Town of Highland, Lake County, Indiana, the plat of which is recorded in Plat Book 77 page 23, in the Office of

the Recorder of Lake County, Indiana and being that part of grantor's land lying within the right of way lines depicted on the attached Right of Way Parcel Plat marked as Exhibit "B", described as follows: Commencing at the Southwest corner of said Lot; thence North 1 degree 45 minutes 42 seconds East 75.749 meters (248.52 feet) along the West line of said Lot; thence North 2 degrees 25 minutes 07 seconds East, 114.132 meters (374.45 feet) along said West line; thence North 44 degrees 42 minutes 08 seconds East 12.366 meters (40.57 feet) along said West line; thence North 2 degrees 25 minutes 07 seconds East 18.288 meters (60.00 feet) along said West line; thence North 41 degrees 13 minutes 21 seconds West 12.055 meters (39.55 feet) along said West line; thence North 2 degrees 25 minutes 07 seconds East 38.371 meters (125.89 feet) along said West line; thence North 0 degrees 59 minutes 11 seconds East 26.551 meters (87.11 feet) along said West line to the southwest corner of grantor's land and the point of beginning of this description; thence continuing North 0 degrees 59 minutes 11 seconds East 29.752 meters (97.61 feet) along said West line; thence South 89 degrees 00 minutes 49 seconds East 3.048 meters (10.00 feet) along said West line; thence North 0 degrees 59 minutes 11 seconds East 43.10 meters (14.14 feet) along said West line to the Northwest corner of the grantor's land; thence North 89 degrees 40 minutes 34 seconds East 4.055 meters (13.30 feet) along the North line of the grantor's land; thence South 6 degrees 36 minutes 34 seconds West 16.147 meters (52.98 feet) to point "3194" designated on said parcel plat; thence South 2 degrees 06 minutes 47 seconds West 17.970 meters (58.96 feet) to the South line of the grantor's land; thence South 89 degrees 40 minutes 34 seconds West 5.168 meters (16.96 feet) along said South line to the point of beginning.

Parcel 2:

Non-exclusive easement for ingress and egress as shown in the Easement for Ingress and Egress and Cross Easement Agreement recorded May 7, 1996 as Document No. 96030241.

Parcel 3:

Non-exclusive easement for the passage and parking of passenger, service and delivery vehicles, as reserved and granted in Operation and Easement Agreement, recorded September 26, 1994 as Document No. 94066757, and amended by the First Amendment recorded April 6, 1995 as Document No. 95019082, and Second Amendment recorded July 6, 1995 as Document No. 95037841, as assigned by Assignment of Agreements recorded April 6, 1995 as Document No. 95019081.

