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MICHELLE UTSLER
RECORDER
MADISON COUNTY, IOWA

Preparer Information: Stephen E. Dawson, 525 North Woodward, Bloomfield Hills, MI 48304 (248) 646-4300

NOTICE: This Mortgage secures credit in the amount of \$10,723,040.00. Loans and advances up to this amount, together with interest, are senior to indebtedness to other creditors under subsequently recorded or filed mortgages and liens.

OPEN-END MORTGAGE AND
FINANCING STATEMENT

from

EARLHAM MANOR CARE CENTER, INC., Mortgagor

to

OMEGA HEALTHCARE INVESTORS, INC.

DATED AS OF OCTOBER 6, 1997

After recording, please return to:

Dickinson, Wright, Moon, Van Dusen & Freeman
525 N. Woodward, Suite 2000
Bloomfield Hills, Michigan 48304

ATTN: Stephen E. Dawson, Esq.

RELEASED 04-21-99 SEE
mtg RECORD 201 PAGE 859

OPEN-END MORTGAGE AND FINANCING STATEMENT

THIS MORTGAGE AND FINANCING STATEMENT, made as of this 6th day of October, 1997, by EARLHAM MANOR CARE CENTER, INC., an Iowa corporation, whose address is 3737 Woodland Avenue, Suite 200, West Des Moines, Iowa 50266 (herein called the "Mortgagor"), to OMEGA HEALTHCARE INVESTORS, INC., a Maryland corporation, whose address is 905 West Eisenhower Circle, Suite 110, Ann Arbor, Michigan 48103 (herein called the "Mortgagee").

WITNESSETH:

That, to secure (i) the payment of the principal sum of Eight Million Twenty Three Thousand Forty and no/100 Dollars (\$8,023,040), together with interest thereon, payable in accordance with the terms of a promissory note of even date herewith (herein called the "Note") issued by the Mortgagor and certain affiliates of Mortgagor named in such Note (the "Other Mortgagors"), (ii) the payment of the principal sum of Two Million Seven Hundred Thousand and no/100 Dollars (\$2,700,000), together with interest thereon, payable in accordance with the terms of a promissory note of even date herewith (herein called the "Five Star Note") issued by Five Star Care Corp., an Iowa corporation ("Five Star") and an affiliate of the Mortgagor and the Other Mortgagors, each of whose sole shareholder is JoAnn P. Webb ("Webb"), (iii) the performance of the covenants herein contained and any monies expended by the Mortgagee in connection therewith, (iv) the payment of all obligations and performance of all covenants of Mortgagor under the terms of the Guaranty by Mortgagor of even date herewith, and (v) the payment of all obligations and performance of all covenants of the Mortgagor under the Security Agreement and Bridge Loan Agreement among Mortgagor, the Other Mortgagors, Five Star and Mortgagee, dated of even date herewith and any other loan documents, agreements or instruments between the Mortgagor and the Mortgagee given in connection with or related to this Mortgage or the Note (all of the aforesaid indebtedness and obligations of the Mortgagor being herein called the "Mortgage Indebtedness", and all of the documents, agreements and instruments between the Mortgagor and the Mortgagee evidencing or securing the repayment of, or otherwise pertaining to, the Mortgage Indebtedness being herein collectively called the "Loan Documents"), the Mortgagor does hereby mortgage, warrant, grant, bargain, sell, convey, transfer, pledge, assign, release, set over and confirm unto the Mortgagee, and its successors and assigns, the lands, premises and property situated in the City of Earlham, County of Madison, State of Iowa, described on Exhibit A attached hereto (herein called the "Mortgaged Premises"):

TOGETHER with all easements, rights-of-way, licenses and privileges, thereunto belonging or in anywise appertaining, including without limitation all the Mortgagor's right, title and interest in and to those easements, rights-of-way, licenses and privileges described in Exhibit B which is annexed hereto and made a part hereof.

TOGETHER with all buildings and improvements now or hereafter situated upon the Mortgaged Premises or any part thereof.

TOGETHER with all and singular the tenements, hereditaments and appurtenances thereunto belonging or in anywise appertaining, and the reversion or reversions, remainder and remainders thereof; and also all the estate, right, title, interest, property, claim and demand whatsoever of the Mortgagor, of, in and to the same and of, in and to every part and parcel thereof.

TOGETHER with all the rents, issues and profits thereof under present or future Mortgages, or otherwise, which are hereby specifically assigned, transferred and set over to the Mortgagee and including, but not limited to, all cash or securities deposited under such Mortgages to secure performance by the tenants of their obligations thereunder, whether said cash or securities are to be held until the expiration of the terms of such Mortgages or applied to one or more of the installments of rent coming due thereunder.

TOGETHER with all right, title and interest of the Mortgagor, if any, in and to the land lying in the bed of any street, road, avenue, alley or walkway, opened or proposed or vacated, or any strip or gore, in front of or adjoining the Mortgaged Premises.

TOGETHER with all machinery, apparatus, equipment, fittings, fixtures, and articles of personal property of every kind and nature whatsoever, other than consumable goods, now or hereafter located in or upon the Mortgaged Premises or any part thereof and used or usable in connection with any present or future operation of the Mortgaged Premises or any building or buildings now or hereafter on the Mortgaged Premises and now owned or hereafter acquired by the Mortgagor (all of which is herein called "equipment"), including, but without limiting the generality of the foregoing, all lighting, heating, cooling, ventilating, air-conditioning, incinerating, refrigerating, plumbing, sprinkling, communicating and electrical systems, and the machinery, appliances, fixtures and equipment pertaining thereto, and all of the right, title and interest of the Mortgagor in and to any equipment which may be subject to any title retention or security agreement superior in lien to the lien of this Mortgage. It is understood and agreed that all equipment is part and parcel of the Mortgaged Premises and appropriated to the use of said real estate and, whether affixed or annexed or not, shall for the purposes of this Mortgage, unless the Mortgagee shall otherwise elect, be deemed conclusively to be real estate and mortgaged hereby.

TOGETHER with any and all awards or payments, including interest thereon, and the right to receive the same, which may be made with respect to the Mortgaged Premises as a result of (a) the exercise of the right of eminent domain, (b) the alteration of the grade of any street, (c) any loss of or damage to any building or other

improvement on the Mortgaged Premises, (d) any other injury to or decrease in the value of the Mortgaged Premises or (e) any refund due on account of the payment of real estate taxes, assessments or other charges levied against or imposed upon the Mortgaged Premises, to the extent of all amounts which may be secured by this Mortgage at the date of receipt of any such award or payment by the Mortgagee, and of the reasonable counsel fees, costs and disbursements incurred by the Mortgagee in connection with the collection of such award or payment. The Mortgagor agrees to execute and deliver, from time to time, such further instruments as may be requested by the Mortgagee to confirm such assignment to the Mortgagee of any such award or payment.

TO HAVE AND TO HOLD the Mortgaged Premises, and each and every part thereof, unto the Mortgagee and its successors and assigns forever. Any reference herein to the "Mortgaged Premises" shall, unless the context shall require otherwise, be deemed to include and apply to the above described land and said buildings, improvements, equipment, rents, issues, profits, Mortgages, easements, tenements, hereditaments and appurtenances and all other rights, privileges and interests hereinabove described.

SUBJECT only to those matters (the "Permitted Exceptions") set forth in Exhibit B.

AND, the Mortgagor does hereby covenant and warrant as follows:

1. Payment of Mortgage Indebtedness; Performance of Agreements. The Mortgagor shall pay the principal of and interest on the Mortgage Indebtedness according to the terms thereof, and will keep and perform all the covenants, promises and agreements in (a) the Note or any other promissory note or notes at any time hereafter issued to evidence the Mortgage Indebtedness, (b) this Mortgage and (c) any and all other Loan Documents, all in the manner herein or therein set forth. Upon the occurrence of any event of default described in Paragraph 12 hereof, the entire unpaid balance of the Mortgage Indebtedness shall bear interest at the default rate as set forth in the Note.

2. Covenants of Title. The Mortgagor has good and indefeasible title to the entire Mortgaged Premises in fee simple and with good right and full power to sell, mortgage and convey the same; the Mortgaged Premises are free and clear of easements, restrictions, liens, Mortgages and encumbrances, except those easements, restrictions, liens, Mortgages and encumbrances to which this Mortgage is expressly subject, whether presently existing or which may hereafter be created in accordance with the terms hereof; and the Mortgagor will warrant and defend the Mortgaged Premises against all lawful claims and demands whatsoever. The Mortgagee shall have the right, at its option and at such time or times as it, in its sole discretion, shall

deem necessary, to take whatever action it may deem necessary to defend or uphold the lien of this Mortgage or otherwise enforce any of the rights of the Mortgagee hereunder or any obligation secured hereby, including without limitation, the right to institute appropriate legal proceedings for such purposes.

3. Payment of Taxes, Assessments and Charges. The Mortgagor shall pay when due, and before any interest, collection fees or penalties shall accrue, all real estate taxes, special assessments, water and sewer charges or other governmental charges and impositions levied or assessed with respect to the Mortgaged Premises or any part thereof. Should the Mortgagor fail to pay such taxes, special assessments, water and sewer charges or other governmental charges or impositions, the Mortgagee may, at its option, pay the same for the account of the Mortgagor.

4. Reserves for Taxes and Insurance Premiums. If requested by the Mortgagee, the Mortgagor shall pay to the Mortgagee, at the times provided in the Note for the payment of installments of principal and interest, and in addition thereto, installments of the taxes and assessments levied or to be levied upon the Mortgaged Premises, and installments of the premiums that will become due and payable to renew the insurance hereinafter provided, said installments to be substantially equal and to be in such amount as will assure to the Mortgagee that not less than 30 days before the time when such taxes and premiums, respectively, become due the Mortgagor will have paid to the Mortgagee a sufficient amount to pay the same in full. Said amounts paid to the Mortgagee hereunder need not be segregated nor kept in a separate fund, and no interest shall be payable thereon. Said amounts shall be held by the Mortgagee as additional security for the Mortgage Indebtedness and be applied to the payment of said taxes and assessments when the same become due and payable; provided, however, that the Mortgagee shall have no liability for any failure so to apply said amounts for any reason whatsoever. Nothing herein contained shall in any manner limit the obligation of the Mortgagor to pay taxes as above provided. In the event of any default by the Mortgagor, the Mortgagee may, at its option, but without any obligation on its part so to do, apply said amounts upon said taxes and assessments or toward the payment of the Mortgage Indebtedness or any portion thereof, whether or not then due or payable.

Upon an assignment of this Mortgage, the Mortgagee shall have the right to pay over the balance of such deposits in its possession to the assignee and the Mortgagee shall thereupon be completely released from all liability with respect to such deposits and the Mortgagor or owner of the Mortgaged Premises shall look solely to the assignee or transferee in reference thereto. This provision shall apply to every transfer of such deposits to a new assignee. Upon full payment and satisfaction of the Mortgage Indebtedness or at any prior time upon the election of the Mortgagee, the balance of the deposits in its possession shall be paid over to the record owner of the Mortgaged Premises and no other party shall have any right or claim thereto in any

event. The Mortgagor agrees, at the Mortgagee's request, to make the aforesaid deposits with such servicer or financial institution as the Mortgagee shall from time to time designate.

5. Payment of Other Obligations. The Mortgagor shall also pay any and all other obligations, liabilities or debts which may become liens, security interests, or encumbrances upon or charges against the Mortgaged Premises for any repairs or improvements that are now completed or are in progress or which may hereafter be made thereon, or for any other goods, services, or utilities furnished to the Mortgaged Premises, and shall not permit any lien, security interest, encumbrance or charge of any kind securing the repayment of borrowed funds (including the deferred purchase price for any property) to accrue and remain outstanding against the Mortgaged Premises or any part thereof, or any improvements thereon.

6. Maintenance and Repair; Inspection; Hazardous Waste; Disabled Access.

(a) The Mortgagor will keep the Mortgaged Premises and all the improvements thereon in good order and repair, and the Mortgagor expressly agrees that it will not do or permit waste on the Mortgaged Premises nor do any other act whereby the Mortgaged Premises will become less valuable or the lien hereof may be impaired. Should the Mortgagor fail to effect the necessary repairs, the Mortgagee may at its option make such repairs for the account of the Mortgagor. The Mortgagee, and any person authorized by the Mortgagee, shall have the right to enter upon and inspect the Mortgaged Premises at all reasonable times.

(b) Mortgagor hereby represents and warrants that neither the Mortgagor nor, to the best knowledge of the Mortgagor, any other person has ever caused or permitted any Hazardous Material (as hereinafter defined) to be placed, held, located or disposed of, on, under or at the premises or any part thereof, nor have the premises or any part thereof ever been used (whether by the Mortgagor or, to the best knowledge of the Mortgagor, by any other person) as a dump site or storage (whether permanent or temporary) site for any Hazardous Material. Mortgagor further represents and warrants that neither Mortgagor, nor to the best knowledge of Mortgagor, any other person, has ever caused or permitted any asbestos or underground storage tanks to be located on the premises. Mortgagor hereby indemnifies the Mortgagee and agrees to defend, hold the Mortgagee harmless from and against any and all liens, losses, liabilities, damages, injuries, costs, expenses and claims of any and every kind whatsoever paid, incurred or suffered by, or asserted against, the Mortgagee or the Mortgaged Premises for, with respect to, or as a direct or indirect result of (i) the presence on or under, or the escape, seepage, leakage, spillage, discharge, emission, discharging or released from, the premises of any Hazardous Material (including, without limitation, any losses, liabilities, damages, injuries, costs, expenses or claims asserted or arising under the federal Comprehensive Environmental Response,

Compensation and Liability Act, any so-called "Superfund" or "Superlien" law, or any other Federal, state or local statute, law, ordinance, code, rule, regulation, order or decree regulating, relating to or imposing liability or standards of conduct concerning, any Hazardous Material), or (ii) the presence of any asbestos or underground storage tanks on the premises (including, without limitation, the cost of removal) regardless of whether or not caused by, or within the control of, Mortgagor. The foregoing indemnity shall survive the exercise of any remedy by Mortgagee upon an event of default hereunder, including, without limitation, foreclosure or the taking of a deed in lieu of foreclosure, but shall exclude losses, damages, liabilities, injuries, costs, expenses and claims incurred by Mortgagee after it takes title to the Mortgaged Premises which are not due to a pre-existing condition and are not caused or contributed to by the acts or omissions of Mortgagor or a predecessor in title, but which are due solely to the acts of Mortgagee after taking title. The burden of proof as to the lack of a preexisting condition and the noncontribution of the Mortgagor or any predecessor shall be upon Mortgagor. For purposes herein, the term "Hazardous Material" means and includes any hazardous, toxic or dangerous waste, substance or material defined as such in (or for purposes of) the Comprehensive Environmental Response, Compensation, and Liability Act, any so-called "Superfund" or "Superlien" law, or any other Federal, state or local statute, law, ordinance, code, rule, regulation, order or decree (collectively, "Environmental Laws") regulating, relating to, or imposing liability or standards of conduct concerning, any hazardous, toxic or dangerous waste, substance or material, as now or at any time hereafter in effect. Mortgagor will comply with and keep the Mortgaged Premises in compliance with all Environmental Laws.

(c) Mortgagor will comply with and keep the Mortgaged Premises in compliance with the Fair Housing Amendments Act of 1988, the Americans with Disabilities Act of 1990 and any other Federal, State or local statute, law, ordinance, code, rule, regulation, order or decree regulating, relating to, or imposing liability or standards of conduct relating to barrier-free access or access of the handicapped or disabled to the Mortgaged Premises (collectively, "Access Laws"). The Mortgagor hereby indemnifies the Mortgagee and agrees to hold the Mortgagee harmless from and against all losses, liabilities, damages, injuries, costs, expenses and claims of any and every kind whatsoever paid, incurred or suffered by, or asserted against, the Mortgagee for violations or alleged violations of the Access Laws relating to the Mortgaged Premises.

7. Insurance.

(a) General Insurance Requirements. During the term of this Mortgage, Mortgagor shall at all times keep the Mortgaged Premises, and all property located in or on the Mortgaged Premises, insured with the kinds and amounts of insurance described below. This insurance shall be written by companies authorized to do insurance business in the State of Iowa. All such policies provided and maintained

during the term of this Mortgage shall be written by companies having a rating classification of not less than A- and a financial size category of Class X, according to the then most recent issue of Best's Key Rating Guide.

All policies shall name Mortgagee as an additional insured by way of a standard form of mortgagee's loss payable endorsement in use in the State of Iowa. Any loss adjustment shall require the written consent of Mortgagee, and, if it is not then in default, Mortgagor, which consent shall not be unreasonably withheld by Mortgagor.

Evidence of insurance shall be deposited with Mortgagee. Mortgagor shall pay or cause to be paid when due all premiums for the insurance coverage required to be maintained pursuant to this Mortgage.

The policies on the Mortgaged Premises shall insure against the following risks:

(i) Loss or damage by fire, vandalism and malicious mischief, earthquake, extended coverage perils commonly known as "Special Risk," and all physical loss perils normally included in such Special Risk insurance, including but not limited to sprinkler leakage, in an amount not less than one hundred percent (100%) of the then full replacement cost thereof (as defined below in Paragraph 7(b));

(ii) Loss or damage by explosion of steam boilers, pressure vessels or similar apparatus, now or hereafter installed in the facility, in such amounts with respect to any one accident as may be required by Mortgagee from time to time;

(iii) Loss of rental under a rental value insurance policy covering risk of loss during reconstruction necessitated by the occurrence of any of the hazards described in subsections (i) or (ii) (but in no event for a period less than twelve (12) months) in an amount sufficient to prevent Mortgagee and Mortgagor from becoming a co-insurer;

(iv) Claims for personal injury or property damage under a policy of commercial general public liability insurance with a combined single limit per occurrence in respect of bodily injury and death and property damage of Two Million Dollars (\$2,000,000), and an aggregate limitation of Four Million Dollars (\$4,000,000);

(v) Claims arising out of malpractice in an amount not less than Five Million Dollars (\$5,000,000.00) for each person and for each occurrence;

(vi) Flood (when the Mortgaged Premises is located in whole or in part within a designated flood plain area) and such other hazards and in such amounts as may be customary for comparable properties in the area;

(vii) During such time as Mortgagor is constructing any improvements, Mortgagor, at its sole cost and expense, shall carry or cause to be carried (i) worker's compensation insurance and employers' liability insurance covering all persons employed in connection with the improvements in statutory limits, (ii) a completed operations endorsement to the commercial general liability and property damage insurance policies referred to above, (iii) builder's risk insurance, completed value form, covering all physical loss, in an amount satisfactory to Mortgagee, and (iv) such other insurance, in such amounts, as Mortgagee deems necessary to protect Mortgagee's interest in the Mortgaged Premises from any act or omission of Mortgagor's contractors or subcontractors, and certificates of insurance evidencing such coverage, in form satisfactory to Mortgagee, shall be presented to Mortgagee prior to the commencement of construction of such improvements;

(viii) Mortgagor shall procure, and at all time during the term of this Mortgage shall maintain, a policy of primary automobile liability insurance with limits of One Million Dollars (\$1,000,000) per occurrence each for owned and non-owned and hired vehicles; and

(ix) If Mortgagor chooses to carry umbrella liability coverage to obtain the limits of liability required under this Mortgage, all such policies must cover in the same manner as the primary commercial general liability policy and must contain no additional exclusions or limitations materially different from those of the primary policy.

(b) Replacement Cost. The term "full replacement cost" as used herein, shall mean the actual replacement cost of the Mortgaged Premises including an increased cost of construction endorsement, less exclusions provided in the standard form of fire insurance policy. In all events full replacement cost shall be an amount sufficient that neither Mortgagee nor Mortgagor is deemed to be a co-insurer of the Mortgaged Premises. If Mortgagee believes that full replacement cost (the then replacement cost less such exclusions) of the Mortgaged Premises has increased at any time during the term of this Mortgage, it shall have the right to have such full replacement cost reasonably redetermined by the fire insurance company which is then carrying the largest amount of fire insurance carried on the Mortgaged Premises, hereinafter referred to as "the impartial appraiser". The determination of the impartial appraiser shall be final and binding on the parties hereto, and Mortgagor shall forthwith increase, but not decrease, the amount of the insurance carried pursuant to this Paragraph, as the case may be, to the amount so determined by the impartial appraiser. Each party shall pay one-half (½) of the fee, if any, of the impartial appraiser.

(c) Additional Insurance. In addition to the insurance described above, Mortgagor shall at all times comply with all legal requirements with respect to

worker's compensation insurance coverage for all persons employed on the Mortgaged Premises. Such worker's compensation insurance shall be in accordance with the requirements of applicable local, state and federal law.

(d) Waiver of Subrogation. All insurance policies carried by either party covering the Mortgaged Premises, including without limitation, contents, fire and casualty insurance, shall expressly waive any right of subrogation on the part of the insurer against the other party. Mortgagor shall pay any additional costs or changes for obtaining such waiver.

(e) Form Satisfactory, etc. All of the policies of insurance referred to in this Paragraph 7 shall be written in a form satisfactory to Mortgagee and by insurance companies satisfactory to Mortgagee.

The property loss insurance policy shall contain a Replacement Cost Endorsement.

If Mortgagor obtains and maintains the professional malpractice insurance described in Paragraph 7(a)(v) above on a "claims-made" basis, Mortgagor shall provide continuous liability coverage for claims arising during the term of this Mortgage either by obtaining an endorsement providing for an extended reporting period reasonably acceptable to Mortgagee in the event such policy is canceled or not renewed for any reason whatsoever, or by obtaining "tail" insurance coverage converting the policies to "occurrence" basis policies providing coverage for a period of at least three years beyond the expiration of the term of this Mortgage.

Mortgagee agrees that it will not unreasonably withhold its approval as to the form of the policies of insurance or as to the insurance companies selected by Mortgagor.

Mortgagor shall pay when due all of the premiums therefor, and deliver such policies or certificates thereof to Mortgagee not less than thirty (30) days prior to their effective date (and, with respect to any renewal policy, not less than twenty (20) days prior to the expiration of the existing policy, a new policy or binder shall be furnished to Mortgagee), and in the event of the failure of Mortgagor either to effect such insurance as herein called for or to pay the premiums therefor, or to deliver such policies or certificates thereof to Mortgagee at the times required, Mortgagee shall be entitled, but shall have no obligation, to effect such insurance and pay the premiums therefor when due, which premiums shall be repayable to Mortgagee upon written demand therefor, and failure to repay the same shall constitute an Event of Default within the meaning of Paragraph 12.

If requested by Mortgagee and if available on a commercially reasonable basis to Mortgagor, all public liability and property damage insurance shall contain a provision that Mortgagee, although named as an insured, shall nevertheless be entitled to recovery under said policies for any loss, damage, or injury to Mortgagee, its servants, agents, and employees by reason of the negligence of Mortgagor or Mortgagee.

Each insurer mentioned in this Paragraph 7 shall agree, by endorsement on the policy or policies issued by it, or by independent instrument furnished to Mortgagee, that it will give to Mortgagee at least sixty (60) days' written notice before the policy or policies in question shall be altered, allowed to expire or canceled.

(f) Increase in Limits. If, from time to time during the term of this Mortgage, Mortgagee determines in the exercise of its reasonable business judgment that the limits of the personal injury or property damage - public liability insurance then carried are insufficient, Mortgagee may give Mortgagor notice of acceptable limits for the insurance to be carried; and the insurance shall thereafter be carried with limits as prescribed by Mortgagee until further increase pursuant to the provisions of this Paragraph.

(g) Blanket Policy. Notwithstanding anything to the contrary contained in this Paragraph 7, Mortgagor's obligations to carry the insurance provided for herein may be brought within the coverage of a so-called blanket policy or policies of insurance carried and maintained by Mortgagor; provided, however, that the coverage afforded Mortgagee will not be reduced or diminished or otherwise be materially different from that which would exist under a separate policy meeting all other requirements of this Mortgage by reason of the use of the blanket policy, and provided further that the requirements of this Paragraph 7 are otherwise satisfied, and provided further that Mortgagor maintains specific allocations acceptable to Mortgagee.

(h) No Separate Insurance.

(i) Mortgagor shall not on Mortgagor's own initiative or pursuant to the request or requirement of any third party, take out separate insurance concurrent in form or contributing in the event of loss with that required in this Paragraph, to be furnished by, or which may reasonably be required to be furnished by, Mortgagor, or increase the amount of any then existing insurance by securing an additional policy or additional policies, unless all parties having an insurable interest in the subject matter of the insurance, including in all cases Mortgagee, are included therein as additional insureds, and the loss is payable under said insurance in the same manner as losses are payable under this Mortgage.

(ii) Nothing herein shall prohibit Mortgagor from (i) securing insurance required to be carried hereby with higher limits of liability than required in this Mortgage, (ii) from securing insurance to cover risks in excess of the liability limits of policies required to be carried in this Mortgage ("umbrella policies") or (iii) from insuring against risks not required to be insured pursuant to this Mortgage, and as to such insurance, Mortgagee need not be included therein as additional insureds, nor must the loss thereunder be payable in the same manner as losses are payable under this Mortgage. Mortgagor shall immediately notify Mortgagee of the taking out of any such separate insurance or of the increasing of any of the amounts of the then existing insurance.

(i) In the event of loss or damage, the proceeds of said insurance shall be paid to the Mortgagee alone. No such loss or damage shall itself reduce the Mortgage Indebtedness. The Mortgagee is authorized to adjust and compromise such loss without the consent of the Mortgagor, to collect, receive and receipt for such proceeds in the name of the Mortgagee and the Mortgagor and to endorse the Mortgagor's name upon any check in payment thereof. Such proceeds shall be applied first toward reimbursement of all costs and expenses of the Mortgagee in collecting said proceeds and then toward payment of the Mortgage Indebtedness or any portion thereof, whether or not then due or payable, or the Mortgagee at its option may apply said insurance proceeds, or any part thereof, to the repair or rebuilding of the Mortgaged Premises. No such application of proceeds by the Mortgagee toward payment of the Mortgage Indebtedness shall reduce the amount of the installment payments required to be made on the Note in accordance with its terms.

(j) In the event of a foreclosure of this Mortgage, the purchaser of the Mortgaged Premises shall succeed to all of the rights of the Mortgagor under said insurance policies payable to the Mortgagee, including any right to unearned premiums and the right to receive the proceeds of any insurance payable by reason of any loss theretofore or thereafter occurring.

8. Eminent Domain. Notwithstanding any taking under the power of eminent domain, alteration of the grade of any street, or other injury to or decrease in value of the Mortgaged Premises by any public or quasi-public authority or corporation, the Mortgagor shall continue to pay the Mortgage Indebtedness in accordance with the terms of the Note or of any promissory note or notes then evidencing the same, and any reduction in the principal sum resulting from the application by the Mortgagee of such award or payment as hereinafter set forth shall be deemed to take effect only upon the receipt by the Mortgagee of such award. The Mortgagor hereby assigns the entire proceeds of any award or payment to the Mortgagee. Such proceeds shall be applied first toward reimbursement of all costs and expenses of the Mortgagee in collecting said proceeds and then toward payment of the Mortgage Indebtedness or any portion thereof, whether or not then due or payable, or the Mortgagee at its option may apply said proceeds, or any part thereof, to the alteration, restoration or rebuilding

of the Mortgaged Premises. No such application of proceeds by the Mortgagee toward payment of the Mortgage Indebtedness shall reduce the amount of the installment payments required to be made on the Note in accordance with its terms.

9. Waste. The failure of the Mortgagor to pay any taxes or assessments assessed against the Mortgaged Premises, or any installment thereof, or any premiums payable with respect to any insurance policy covering the Mortgaged Premises, shall constitute waste.

10. Reimbursement of Advances by Mortgagee. The Mortgagor shall pay to the Mortgagee, upon demand, all sums expended by the Mortgagee (a) to pay taxes, assessments, water and sewer charges and other governmental charges and impositions and insurance premiums, with respect to the Mortgaged Premises, or (b) to maintain, repair or improve the Mortgaged Premises, whether expended by the Mortgagee or any receiver appointed at the request of the Mortgagee, unless such sums shall be paid out of the rents, income and profits from the Mortgaged Premises, or (c) to defend the lien of this Mortgage as a lien against the Mortgaged Premises subject only to the encumbrances hereinabove expressly set forth, or (d) to discharge any lien or encumbrance affecting the Mortgaged Premises which shall be superior to the lien of this Mortgage and as to which this Mortgage is not expressly subject and subordinate, or (e) to cure any default of the Mortgagor under any Mortgage or other agreement covering the Mortgaged Premises, or (f) to cure any default of the Mortgagor hereunder or under any of the Loan Documents, or (g) for or in connection with any other action taken by the Mortgagee to preserve the security of this Mortgage or any other security for the Mortgage Indebtedness or to protect any of the Mortgagee's rights hereunder. All such expenditures as shall be made by the Mortgagee hereunder or pursuant to any other provision of this Mortgage or the Loan Documents, including any reasonable attorneys' fees incurred by the Mortgagee in connection with the foregoing, shall be payable upon demand and be secured by this Mortgage and shall bear interest at the default rate set forth in the Note or in any other promissory note or notes now or hereafter evidencing the Mortgage Indebtedness or any portion thereof, including penalty interest if any.

11. Change in Taxes. In the event any tax shall be due or become due and payable to the United States of America, the State of Iowa or any political subdivision thereof with respect to the execution and delivery or recordation of this Mortgage or any note or other instrument or agreement evidencing or securing repayment of the Mortgage Indebtedness or the interest of the Mortgagee in the Mortgaged Premises, the Mortgagor shall pay such tax at the time and in the manner required by applicable law and the Mortgagor shall hold the Mortgagee harmless and shall indemnify the Mortgagee against any liability of any nature whatsoever as a result of the imposition of any such tax.

In the event of the passage after the date of this Mortgage of any law in the State of Iowa deducting from the value of real property for purposes of taxation any lien thereon, or changing in any way the laws now in force for the taxation of mortgages or debts secured thereby (including the interest thereon) for state or local purposes, or changing the manner of collection of any such taxes, and imposing a tax, either directly or indirectly, on this Mortgage or the Note, the holder of this Mortgage shall have the right to declare the entire unpaid amount of the Mortgage Indebtedness, together with accrued and unpaid interest thereon, to be due and payable on a date to be specified by not less than 30 days written notice to the Mortgagor, provided, however, that such election shall not be effective if the Mortgagor is permitted by law to pay the whole of such tax in addition to all other payments required hereunder and if the Mortgagor, prior to such specified date, makes payment of such tax then due and agrees to pay any such tax when thereafter levied or assessed against the Mortgaged Premises, this Mortgage or the Note.

12. Events of Default. The occurrence of any of the following events shall be deemed events of default hereunder and shall entitle the Mortgagee to exercise its remedies hereunder and under any of the Loan Documents or as otherwise provided by law:

(a) Default by the Mortgagor in the payment of (i) any installment of principal or interest when due, (ii) any payment required under Paragraph 3 hereof or (iii) any other sums payable by Mortgagor pursuant to this Mortgage or any other Loan Document when due;

(b) Except as provided in the Agreement and Plan of Reorganization of even date herewith among Mortgagee, Mortgagor and the other parties named therein, without the prior consent of the Mortgagee, (i) the Mortgaged Premises shall be sold or otherwise transferred by the Mortgagor, or encumbered in violation of Paragraph 21 below or (ii) any share of stock of the Mortgagor shall be sold, assigned or otherwise transferred or a security interest granted therein, provided, however, that the prior written consent of Mortgagee shall not be required with respect to (A) transfers or assignments occasioned by the death or incompetency of any shareholder of Mortgagor provided the ownership and management of the Mortgaged Premises does not change, (B) transfers or assignments required by applicable law (but specifically excluding transfers or assignments made as a result of forfeiture or foreclosure or the exercise of a security interest), or (C) transfers of stock in Mortgagor between shareholders;

(c) Any representation or warranty of the Mortgagor contained herein or in any of the Loan Documents proves to be untrue in any material respect as of the date when made;

(d) Mortgagor fails to observe or perform any other term, covenant or condition of this Mortgage or the other Loan Documents and the failure is not cured by Mortgagor within a period of thirty (30) days after notice thereof from Mortgagee, unless the failure cannot with due diligence be cured within a period of thirty (30) days, in which case Mortgagor shall not be in default if Mortgagor proceeds promptly and with due diligence to cure the failure and diligently completes the curing thereof;

(e) The institution by or against the Mortgagor of any bankruptcy, reorganization, liquidation, insolvency or other similar proceedings, or the appointment of a receiver or trustee for the Mortgagor or for all or any part of the Mortgaged Premises;

(f) Any representation, warranty or statement contained in any writing delivered to the Mortgagee simultaneously with the execution and delivery hereof shall prove to be incorrect in any material respect;

(g) The occurrence of an event of default under (i) the mortgage between any Other Mortgagor and Mortgagee dated of even date herewith or (ii) the Five Star Note;

(h) Mortgagor ceases operation of the facility for a period in excess of five (5) business days except upon prior written notice to, and the express prior written consent of Mortgagee (which consent Mortgagee may withhold in its absolute discretion), or as the unavoidable consequence of damage or destruction as a result of a casualty, or a partial or complete condemnation;

(i) Mortgagor has its license to operate the facility as a provider of health care services in accordance with its primary intended use suspended or revoked or an order is imposed suspending its right to operate or accept patients, which order is not immediately stayed and promptly cured;

(j) If a default occurs under any other material contract affecting the facility, Mortgagor, or any Affiliate of Mortgagor; or

(k) Default by the Mortgagor in the observance or performance of any other covenant, promise or agreement provided herein.

13. Remedies upon Default. Immediately upon the occurrence of any of the events of default referred to above in Paragraph 12, the Mortgagee shall have the option, in addition to and not in lieu of or substitution for all other rights and remedies provided in this Mortgage or any other Loan Documents or provided by law, and is hereby authorized and empowered by the Mortgagor, to do any or all of the following:

(a) Declare the entire unpaid amount of the Mortgage Indebtedness, together with accrued and unpaid interest thereon, and any and all charges payable by the Mortgagor to the Mortgagee pursuant to any of the Loan Documents, immediately due and payable and, at the Mortgagee's option, (i) to bring suit therefor, or (ii) to bring suit for any delinquent payment of or upon the Mortgage Indebtedness, or (iii) to take any and all steps and institute any and all other proceedings that the Mortgagee deems necessary to enforce payment of the Mortgage Indebtedness and performance of other obligations secured hereunder and to protect the lien of this Mortgage.

(b) Commence foreclosure proceedings against the Mortgaged Premises through judicial or nonjudicial proceedings, at the option of the Mortgagee, pursuant to the statutes in such case made and provided, and to sell the Mortgaged Premises or to cause the same to be sold at public sale, and to convey the same to the purchaser, in accordance with said statutes in a single parcel or in several parcels at the option of the Mortgagee.

(c) Cause to be brought down to date an abstract or abstracts and tax histories of the Mortgaged Premises, procure title insurance or title reports or, if necessary, procure new abstracts and tax histories.

(d) Obtain a receiver to manage the Mortgaged Premises and collect the rents, profits and income therefrom.

(e) In the event of any sale of the Mortgaged Premises by foreclosure through judicial or nonjudicial proceedings, apply the proceeds of any such sale in the order following to: (i) all expenses incurred for the collection of the Mortgage Indebtedness and the foreclosure of this Mortgage, including reasonable attorneys' fees, or such attorneys' fees as are permitted by law; (ii) all sums expended or incurred by the Mortgagee directly or indirectly in carrying out the terms, covenants and agreements of the note or notes evidencing the Mortgage Indebtedness, of this Mortgage and of the Loan Documents, together with interest thereon as therein provided; (iii) all accrued and unpaid interest upon the Mortgage Indebtedness; (iv) the unpaid principal amount of the Mortgage Indebtedness; and (v) the surplus, if any there be, unless a court of competent jurisdiction decrees otherwise, to the Mortgagor.

14. Successors in Ownership. In the event ownership of the Mortgaged Premises or any part thereof becomes vested in a person or persons other than the Mortgagor without the prior written approval of the Mortgagee, the Mortgagee may (but shall not be obligated to) deal with such successor or successors in interest with reference to this Mortgage and the Loan Documents in the same manner as with the Mortgagor, without in any manner discharging or otherwise affecting the Mortgagor's liability hereunder or upon the Mortgage Indebtedness.

15. Warranties Respecting Personal Property. The Mortgagor warrants that the Mortgagor owns all equipment and other personal property described in this Mortgage free and clear of any and all liens and security interests except for the lien and security interest granted by this Mortgage. The Mortgagor further warrants that, as to equipment and other personal property hereafter acquired, the Mortgagor will own all such equipment and other personal property at the time it is brought on the Mortgaged Premises and thereafter free and clear of any and all liens and security interests except for the lien and security interest granted by this Mortgage and by any other security instrument or agreement executed and delivered to the Mortgagee.

16. Security Interest. (a) This Mortgage shall, as to any equipment and other personal property covered hereby, be deemed to grant a security interest therein pursuant to the Uniform Commercial Code. The Mortgagor agrees, upon request of the Mortgagee, to furnish an inventory of personal property owned by the Mortgagor and subject to this Mortgage and, upon request by the Mortgagee, to execute any supplements to this Mortgage, any separate security agreement and any financing statements to include specifically said inventory of personal property. Upon the occurrence of any of the events of default referred to in paragraph 12 hereof, the Mortgagee shall have all of the rights and remedies therein provided or otherwise provided by law or by this Mortgage, including but not limited to the right to require the Mortgagor to assemble such personal property and make it available to the Mortgagee at a place to be designated by the Mortgagee which is reasonably convenient to both parties, the right to take possession of such personal property with or without demand and with or without process of law and the right to sell and dispose of the same and distribute the proceeds according to law. The parties hereto agree that any requirements of reasonable notice shall be met if the Mortgagee send such notice to the Mortgagor at least 5 days prior to the date of sale, disposition or other event giving rise to the required notice, and that the proceeds of any disposition of any of such personal property may be applied by the Mortgagee first to the reasonable expenses in connection therewith, including reasonable attorneys' fees and legal expenses incurred, and then to payment of the Mortgage Indebtedness.

(b) This Mortgage also constitutes a financing statement for the purpose of Section 554.9402 of the Uniform Commercial Code of the State of Iowa (the "Code") and shall constitute a "fixture filing" under such statutes and shall be filed in the real estate records of Madison County, Iowa.

(1) Name of Debtor: EARLHAM MANOR CARE CENTER, INC.
Debtor's Mailing Address: 3737 Woodland Avenue, Suite 200
West Des Moines, Iowa 50266

Address of Property: 575 NW 3rd Street
Earlham, Iowa 50072

Name of Secured Party: OMEGA HEALTHCARE INVESTORS,
INC.

Address of Secured Party: 905 West Eisenhower Circle, Suite 110
Ann Arbor, Michigan 48103

(2) This financing statement covers the Mortgaged Premises.

(3) Mortgagor is the record owner of the Mortgaged Premises described herein upon which the foregoing fixtures and other items and types of property are located.

17. Redemption Period; Receiver. (a) It is further agreed that, if this Mortgage covers less than ten (10) acres of land, in the event of the foreclosure of this Mortgage and sale of the Mortgaged Premises by sheriff's sale in such foreclosure proceedings, the time of one (1) year for redemption from said sale provided by the statutes of the State of Iowa shall be reduced to six (6) months; provided Mortgagee in such action files an election to waive any deficiency judgment against Mortgagor which may arise out of the foreclosure proceedings all to be consistent with the provisions of Section 628.26 and of Chapter 628, Iowa Code. It is further agreed that the period of redemption after a foreclosure of this Mortgage shall be reduced to sixty (60) days if all of the three (3) following contingencies exist: (1) the Mortgaged Premises is less than ten (10) acres in size; (2) the court finds affirmatively that said real estate has been abandoned by the owners and those persons personally liable under this Mortgage at the time of such foreclosure; and (3) Mortgagee in such action files an election to waive any deficiency judgment against Mortgagor or its successors in interest in such action, all to be consistent with the provisions of Section 628.27 and of Chapter 628, Iowa Code. If the redemption period is so reduced, Mortgagor or its successors in interest or the owner shall have the exclusive right to redeem for the first thirty (30) days after such sale, and the time provided for redemption by creditors as provided in Sections 628.5, 628.15 and 628.16, Iowa Code, shall be reduced to forty (40) days. Entry of appearance by pleading or docket entry by or on behalf of Mortgagor shall give rise to a presumption that the Mortgaged Premises are not abandoned. Any such short redemption period shall be consistent with all of the provisions of Chapter 628, Iowa Code, as amended; provided, however, that any statement in this Section or elsewhere to the contrary notwithstanding, Mortgagor does, if permitted by law at the time of foreclosure, waive any and all rights of redemption. In addition to the above-described provisions regarding the possible reduction of the redemption period applicable in the event of foreclosure of this Mortgage by Mortgagee, Mortgagor and Mortgagee agree that in the event of the foreclosure of this Mortgage and sale of the real estate included within the Mortgaged Premises by sheriff's sale in such foreclosure proceedings, the time of one hundred eighty (180) days for redemption from said sale provided by the

statutes shall be reduced to ninety (90) days, provided Mortgagee waives in such foreclosure proceedings any rights to a deficiency judgment against Mortgagor which may arise out of the foreclosure proceedings; all to be consistent with all provisions of Section 628.28 and of Chapter 628, Iowa Code.

(b) Mortgagor hereby consents to and agrees that at any time after commencement of a judicial action of foreclosure, through and including during the period of redemption, the court having jurisdiction of the case shall at the request of Mortgagee appoint a receiver to take possession of the Mortgaged Premises and of the rents and profits accruing therefrom, and Mortgagor hereby waives its rights to possession, statutory, or otherwise. Mortgagor agrees that the Mortgage: (i) gives to Mortgagee the right to possession before the sale and termination of the right of redemption; (ii) pledges the rents and profits, (iii) creates in favor of Mortgagee a lien upon and interest in the right of possession given by Iowa Statute and upon revenue which arises from it; and (iv) waives the right to challenge the appointment of a receiver.

18. Obligations Under Mortgages, etc. The Mortgagor shall promptly and diligently observe and perform all of the terms, conditions, covenants, obligations and agreements of the landlord and enforce every obligation of the tenant under any Mortgage assigned to the Mortgagee and every tenancy in which rents are assigned to the Mortgagee. The Mortgagor shall not, without the prior written consent of the Mortgagee, cancel, modify, amend or supplement, or consent to any cancellation, modification, amendment or supplement of any Mortgage assigned to the Mortgagee, nor assign or transfer any such Mortgage.

19. Financial Statements. The Mortgagor shall furnish financial statements to the Mortgagee as provided in the Loan Documents.

20. No Release By Action or Inaction of Mortgagee. In the event that the Mortgagee (a) grants any extension of time for forbearance with respect to the payment of any of the Mortgage Indebtedness, (b) takes other or additional security for the payment thereof, (c) waives or fails to exercise any right granted herein or under the Note, (d) grants any release, with or without consideration, of the whole or any part of the security held for the payment of any portion of the Mortgage Indebtedness, (e) amends or modifies in any respect with the consent of the Mortgagor any of the terms and provisions hereof or of the Note, then, and in any such event, such act or omission to act shall not release the Mortgagor, or any co-makers, sureties, or guarantors of this Mortgage or of the Note, under any covenant of this Mortgage or of the Note, nor preclude the Mortgagee from exercising any right, power or privilege herein granted or intended to be granted in the event of any other default then made or any subsequent default and without in any way impairing or affecting the lien or priority of this Mortgage.

21. Other Liens. The Mortgagor shall not consent, agree to, or permit any lien, mortgage, security interest or sale and leaseback transaction upon or affecting the Mortgaged Premises, or any part thereof, except as granted in this Mortgage and any other lien or security interest granted to the Mortgagee.

22. Separability. If any provision hereof is in conflict with any statute or rule of law of the State of Iowa or is otherwise unenforceable for any reason whatsoever, then such provision shall be deemed null and void to the extent of such conflict or unenforceability and shall be deemed severable from but shall not invalidate any other provisions of this Mortgage.

23. Waiver. No waiver by the Mortgagee of any right or remedy granted hereunder or failure to insist on strict performance by the Mortgagor hereunder shall affect or extend to or act as a waiver of any other right or remedy of the Mortgagee hereunder, nor affect the subsequent exercise of the same right or remedy by the Mortgagee for any further or subsequent default by the Mortgagor hereunder, and all such rights and remedies of the Mortgagee hereunder are cumulative.

24. Marshalling. The Mortgagor hereby waives, in the event of foreclosure of this Mortgage or the enforcement by the Mortgagee of any other rights and remedies hereunder, any right otherwise available in respect to marshalling of assets which secure the Mortgage Indebtedness or to require the Mortgagee to pursue its remedies against any other such assets.

25. Intentionally omitted.

26. Further Instruments. The Mortgagor shall execute, acknowledge and deliver any and all such further conveyances, documents, mortgages and assurances, and do or cause to be done all such further acts, as the Mortgagee may reasonably require to confirm and protect the lien of this Mortgage or otherwise to accomplish the purposes hereof forthwith upon the request of the Mortgagee, whether in writing or otherwise.

27. Notices. Any notice which the Mortgagee may give or is required to give under this Mortgage, shall, if mailed, be effective when sent as registered mail, postage prepaid, addressed to the Mortgagor at the Mortgagor's address first above set forth or at such other address as the Mortgagor shall provide to the Mortgagee in writing, or shall be effective when sent by overnight courier service with guaranteed next day delivery addressed as aforesaid.

28. Use of Insurance Proceeds. Notwithstanding any other provisions of this Mortgage, if no event of default has occurred hereunder which is then continuing, all insurance proceeds recovered by the Mortgagee on account of damage or destruction

to the Mortgaged Premises, less the cost, if any, to the Mortgagee of such recovery and of paying out such proceeds (including reasonable attorneys' fees and costs allocable to inspecting the work and the plans and specifications therefor), shall, upon the written request of the Mortgagor, be applied by the Mortgagee to the payment of the cost of repairing, restoring or rebuilding the improvements on the Mortgaged Premises so damaged or destroyed (hereinafter referred to as the "work") and shall be paid out from time to time to the Mortgagor as the work progresses, but subject to the following conditions:

(a) If the work is structural it shall be in the charge of an experienced construction manager with the consultation of an architect or engineer (who may be an employee of the Mortgagor) and before the Mortgagor commences any work, other than temporary work to protect property or prevent interference with business, the Mortgagee shall have approved the plans and specifications for the work to be submitted by the Mortgagor, which approval shall not be unreasonably withheld or delayed, it being nevertheless understood that to the extent feasible said plans and specifications shall provide for such work that, upon completion thereof, the improvements shall be at least equal in value and general utility to the improvements which were on the Mortgaged Premises prior to the damage or destruction;

(b) Each request for payment shall be made on 7 days prior notice to the Mortgagee and shall be accompanied by a certificate to be made by such architect or engineer, if one be required under clause (a) of this Paragraph 28, otherwise by the Mortgagor, stating (i) that all of the work completed has been done in compliance with the approved plans and specifications if any be required under said clause (a), (ii) that the sum requested is justly required to reimburse the Mortgagor for payments by the Mortgagor to, or is justly due to, the contractor, subcontractors, materialmen, laborers, engineers, architects or other persons rendering services or materials for the work (giving a brief description of such services and materials), and that when added to all sums previously paid out by the Mortgagee does not exceed the value of the work done to the date of such certificate, and (iii) that the amount of such proceeds remaining in the hands of the Mortgagee will be sufficient on completion of the work to pay for the same in full (giving in such reasonable detail as the Mortgagee may require an estimate of the cost of such completion);

(c) Each request shall be accompanied by waivers of lien satisfactory to the Mortgagee covering that part of the work for which payment or reimbursement is being requested and by a search prepared by a title company or licensed abstractor or by other evidence satisfactory to the Mortgagee that there has not been filed with respect to the Mortgaged Premises any mechanic's or other lien or instrument for the retention of title in respect of any part of the work not discharged of record, and the title insurance company shall have committed to issue an endorsement to the mortgage policy of title insurance on the Mortgaged Premises insuring the continued priority of

this Mortgage as a first lien upon the Mortgaged Premises as to the full amount of the Mortgage Indebtedness then outstanding;

(d) Business interruption and/or rental loss insurance in amounts satisfactory to the Mortgagee shall be in effect and payable to Mortgagor during the entire period of construction to compensate for any loss of income from the Mortgaged Premises due to the damage or destruction;

(e) There shall be no default on the part of the Mortgagor under this Mortgage or the Note or any other instrument securing the same;

(f) The request for any payment after the work has been completed shall be accompanied by a copy of any certificate or certificates required by law to render occupancy of the Mortgaged Premises legal; and

(g) The existing Mortgages, if any, of the Mortgaged Premises shall remain in effect after completion of the work or new Mortgages shall have been obtained which generate rental income equal to or exceeding the rental income produced from the existing Mortgages.

Upon the completion of the work and payment in full therefor, or upon any failure on the part of the Mortgagor promptly to commence or continue the work, or upon the occurrence of an event of default hereunder, or at any time upon request by the Mortgagor, the Mortgagee may, at its option, either apply the amount of any such proceeds then or thereafter in the hands of the Mortgagee to the payment of the Mortgage Indebtedness or any portion thereof, whether or not then due and payable in accordance with the provisions of subparagraph 7(i), or remit such amount to the Mortgagor.

This Paragraph shall supersede and control any provision in any Loan Document inconsistent herewith.

29. Nonrecourse. The Mortgagor shall be liable upon the indebtedness evidenced by the Note and all sums to accrue or to become payable thereon to the extent, but only to the extent, of Mortgagee's security for the same, including without limitation, all properties, rights, estates and interests covered by this Mortgage and the other Loan Documents. No attachment, execution or other writ or process shall be sought, issued or levied upon any assets, properties or funds of the Mortgagor other than the properties, rights, estates and interests described in this Mortgage and the other Loan Documents. In the event of foreclosure of such liens, mortgages or security interests, by private power of sale or otherwise, no judgment for any deficiency upon such indebtedness, sums and amounts shall be sought or obtained by Mortgagee against the Mortgagor. However, the foregoing limitations on the liability of the

undersigned shall become null and void and be of no further force and effect (i) if the Mortgagor shall attempt by or in any legal proceeding to materially delay any foreclosure of this Mortgage or the exercise by Mortgagee of any other remedy provided in the Loan Documents or by law, or (ii) if the Mortgagor shall claim in any legal proceeding that any Loan Document is unenforceable or invalid to an extent that would preclude the Mortgagee from exercising any of such remedies. The foregoing legal proceedings shall include, but not be limited to, the filing of a petition in bankruptcy or a petition or answer seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under the bankruptcy laws of the United States or under any other similar federal, state or other statute relating to relief from indebtedness, whether filed by or against the Mortgagor, or the appointment of a receiver, trustee or liquidator with respect to the Mortgagor or all or any part of Mortgagee's security for this Note. Nothing herein contained shall be construed to prevent the Mortgagee from exercising and enforcing any other remedy allowed at law or equity or by any statute or by the terms of this Mortgage or any of the Loan Documents. Notwithstanding the foregoing, the Mortgagor hereby indemnifies Mortgagee against and shall be and remain personally liable and obligated for any loss, damage, cost or expense (including, without limitation, reasonable attorneys' fees) incurred by Mortgagee (i) for which the Mortgagor has agreed to indemnify Mortgagee under and pursuant to Paragraph 6(b) and Paragraph 6(c) of this Mortgage or any separate indemnification agreement, (ii) by reason of an event of default under Paragraphs 12(c) and (f) of this Mortgage, (iii) for the reason that, after any event of default described in Paragraph 12 of this Mortgage or an event or circumstance that with the passage of time, the giving of notice or both, could constitute such an event of default, or at any time during the twelve (12) month period immediately preceding such event of default or other event or circumstance, the Mortgagor collects any rents, issues or profits of any of the Mortgagee's security and does not apply the same to the normal operating expenses of the security or any payments due under the Note or any of the Loan Documents, it being intended hereby that the Mortgagor shall be personally liable and obligated hereunder to the full extent of such rentals and other items so collected and not so applied, (iv) due to the misappropriation or misapplication by the Mortgagor of the proceeds of any insurance policy or of any award or payment made as compensation for any taking or exercise of the power of eminent domain, (v) by reason of the failure of the Mortgagor to deliver to the Mortgagee or return to a tenant any security deposit or to deliver to the Mortgagee any prepaid rent, (vi) by reason of damages or repairs to Mortgagee's security caused by willful or wanton acts or omissions of the Mortgagor, (vii) due to the failure of the Mortgagor to pay taxes or insurance or charges for labor and materials or any and all other charges which may create liens on all or any part of Mortgagee's security, (viii) due to any sale, conveyance, alienation, transfer or encumbrance of any interest in Mortgagee's security without Mortgagee's prior written consent, (ix) by reason of the failure of the Mortgagor to comply with all of the terms, covenants and conditions (other than those relating to the payment of the indebtedness evidenced by the Note) contained in the Mortgage,

the Note or any other Loan Document, and (x) in the enforcement of this Mortgage, the Note or any other Loan Document, and the Mortgagor agrees that the Mortgagee or other holder of the Note shall not be limited in any way in enforcing such personal liability and obligation of the Mortgagor.

30. Multiple Security. If (a) the Mortgaged Premises shall consist of one or more parcels, whether or not contiguous and whether or not located in the same county, or (b) in addition to this Mortgage, Mortgagee shall now or hereafter hold one or more additional mortgages, liens, deeds of trust or other security (directly or indirectly) for the Mortgage Indebtedness upon other property in the State in which the Mortgaged Premises are located (whether or not such property is owned by Mortgagor or by others) or (c) both the circumstances described in clauses (a) and (b) shall be true, then to the fullest extent permitted by law, Mortgagee may, at its election, commence or consolidate in a single foreclosure action all foreclosure proceedings against all such collateral securing the Mortgage Indebtedness (including the Mortgaged Premises), which action may be brought or consolidated in the courts of any county in which any of such collateral is located. Mortgagor acknowledges that the right to maintain a consolidated foreclosure action is a specific inducement to the Lender to make the loan to and to enter into certain agreements with Mortgagor, and Mortgagor expressly and irrevocably waives any objections to the commencement or consolidation of the foreclosure proceedings in a single action and any objections to the laying of venue or based on the grounds of forum non conveniens which it may now or hereafter have. Mortgagor further agrees that if Mortgagee shall be prosecuting one or more foreclosure or other proceedings against a portion of the Mortgaged Premises or against any collateral other than the Mortgaged Premises, which collateral directly or indirectly secures the Mortgage Indebtedness, or if Mortgagee shall have obtained a judgment of foreclosure and sale or similar judgment against such collateral, then, whether or not such proceedings are being maintained or judgments were obtained in or outside the State in which the Mortgaged Premises are located, Mortgagee may commence or continue foreclosure proceedings and exercise its other remedies granted in this Mortgage against all or any part of the Mortgaged Premises and Mortgagor waives any objections to the commencement or continuation of a foreclosure of this Mortgage or exercise of any other remedies hereunder based on such other proceedings or judgments, and waives any right to seek to dismiss, stay, remove, transfer or consolidate either any action under this Mortgage or such other proceedings on such basis. Neither the commencement nor continuation of proceedings to foreclosure this Mortgage nor the exercise of any other rights hereunder nor the recovery of any judgment by Mortgagee in any such proceedings shall prejudice, limit or preclude Mortgagee's right to commence or continue one or more foreclosure or other proceedings or obtain a judgment against any other collateral (either in or outside the State in which the Mortgaged Premises are located) which directly or indirectly secures the Mortgage Indebtedness, and Mortgagor expressly waives any objections to the commencement of, continuation of, or entry of a judgment in such other proceedings or

exercise of any remedies in such proceedings based upon any action or judgment connected to this Mortgage, and Mortgagor also waives any right to seek to dismiss, stay, remove, transfer or consolidate either such other proceedings or any action under this Mortgage on such basis. It is expressly understood and agreed that to the fullest extent permitted by law, Mortgagee may, at its election, cause the sale of all collateral which is the subject of a single foreclosure action at either a single sale or at multiple sales conducted simultaneously and take such other measures as are appropriate in order to effect the agreement of the parties to dispose of and administer all collateral securing the Mortgage Indebtedness (directly or indirectly) in the most economical and least time-consuming manner.

30. Governing Law; Binding Effect; Severability. This Mortgage, made in the State of Iowa, shall be construed according to the laws thereof and shall be binding upon the Mortgagor and its successors and assigns and any subsequent owners of the Mortgaged Premises, and all of the covenants herein contained shall run with the land, and this Mortgage and all of the covenants herein contained shall inure to the benefit of the Mortgagee, its successors and assigns. If any term, provision, covenant or clause of this Mortgage is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable, the remainder of the terms, provisions, covenants and clauses of this Mortgage shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

31. Headings. The headings in this Mortgage are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

IN WITNESS WHEREOF, the Mortgagor has duly executed this Mortgage on October 6, 1997 as of the day and year first above written.

In the Presence of:

EARLHAM MANOR CARE CENTER, INC.,
an Iowa corporation

Cynthia A. Moore
JoAnn P. Webb

By: JoAnn P. Webb
JoAnn P. Webb

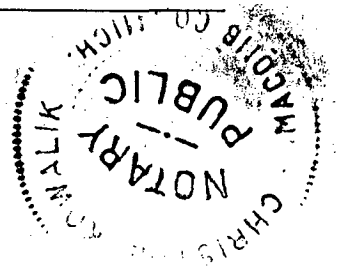
Its: President

STATE OF IOWA)
) SS.
COUNTY OF OAKLAND)

The foregoing instrument was acknowledged before me this 6th day of October, 1997 by JoAnn P. Webb, on behalf of Earlham Manor Care Center, Inc., an Iowa corporation.

Christine Kowalik
Notary Public, _____ County
State of Iowa
My Commission Expires: _____

CHRISTINE KOWALIK
Notary Public, Macomb County, Michigan
Acting in Oakland County, Michigan
My Commission Expires August 3, 2001



BLOOMFIELD 43233-12 222853-2 (10/1/97)

EXHIBIT A

Legal Description

Lots 3 and 4, Block 8, Christopher Wilson's Addition to the Town of Earlham, Madison County, Iowa.

BLOOMFIELD 43233-12 222724 (9/29/97)

Earlham Manor Care Center

EXHIBIT B

PERMITTED EXCEPTIONS

None

BLOOMFIELD 43233-12 222726 (9/29/97)

Earlham Manor Care Center