

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

---

**FORM 8-K**

**CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934**

Date of report (Date of earliest event reported): July 6, 2018

**KADANT INC.**

(Exact Name of Registrant as Specified in its Charter)

Delaware (State or Other Jurisdiction of Incorporation)	001-11406 (Commission File Number)	52-1762325 (IRS Employer Identification No.)
---------------------------------------------------------------	---------------------------------------	----------------------------------------------------

One Technology Park Drive Westford, Massachusetts (Address of Principal Executive Offices)	01886  (Zip Code)
-----------------------------------------------------------------------------------------------------	-------------------------

(978) 776-2000

Registrant's telephone number, including area code

Not Applicable

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter). Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

---

## KADANT INC.

### **Item 1.01 Entry into a Material Definitive Agreement.**

On July 6, 2018, Kadant Inc., a Delaware corporation (“Parent”) and certain of its domestic subsidiaries, Kadant Johnson LLC (“Kadant Johnson”), Kadant Black Clawson LLC (“Kadant Black”) and Verus Lebanon, LLC (“Verus”, and collectively with Parent, Kadant Johnson, and Kadant Black, “Kadant” or “Borrower”), borrowed \$21.0 million from Citizens Bank, N.A. (the “Lender”) pursuant to a promissory note dated July 6, 2018 (the “Loan”) in favor of the Lender. The Loan is repayable in quarterly installments of \$262,500 over a ten-year period (“Term”) with any remaining principal balance and accrued interest due upon maturity. Interest on the Loan accrues and is payable quarterly in arrears at a fixed rate of 4.45% per annum. The Borrower is not permitted to prepay the Loan in any amount in the first twelve months of the Term. Any voluntary prepayments will be subject to a 2.00% prepayment fee if paid in the second twelve months of the Term, and subject to a 1.00% prepayment fee if paid in the third twelve months of the Term. Thereafter, no prepayment fee will be applied to voluntary prepayment by the Borrower.

The Loan is secured by certain real estate and related personal property of Kadant, pursuant to the Mortgage, Security Agreement and Assignment of Leases and Rents by Parent in favor of the Lender; the Mortgage by Kadant Johnson in favor of the Lender; and the Open-End Mortgage, Security Agreement, and Assignment of Leases and Rents by Verus in favor of the Lender; each dated as of July 6, 2018 (collectively, “Mortgage and Security Agreements”). The properties subject to the Mortgage and Security Agreements are located in Auburn, Massachusetts; Three Rivers, Michigan; and Lebanon, Ohio. Kadant has the right to substitute other real property and/or collateral in the event of the sale of any of the properties subject to the Mortgage and Security Agreements. Parent and the subsidiary owners of the real property have also provided certain indemnities to the Lender for hazardous materials and discharges on the property, as is customary in commercial real estate mortgages.

The obligations of Kadant under the Loan may be accelerated upon the occurrence of an Event of Default (as defined in the Mortgage and Security Agreements), which includes customary events of default including, without limitation, payment defaults, defaults in the performance of covenants and obligations, the inaccuracy of representations or warranties, bankruptcy and insolvency related defaults, liens on the properties or collateral and uninsured judgments. In addition, the occurrence and continuation after any applicable notice or cure period of an event of default under Kadant’s existing revolving credit facility, effective as of March 1, 2017, and as amended to date (the “Credit Facility”), among Parent, as Borrower, the Foreign Subsidiary Borrowers from time to time parties thereto (as those terms are defined in the Credit Facility), the several banks and other financial institutions or entities from time to time parties thereto, and Citizens Bank, N.A., as Administrative Agent and Multi-currency Administrative Agent, would be an event of default under the Loan.

The forgoing description of the Loan does not purport to be a complete statement of the terms and conditions of the Loan and is qualified in its entirety by reference to the full text of the Loan filed with this report as Exhibit 99.1. The forgoing descriptions of the Mortgage and Security Agreements do not purport to be complete statements of the terms and conditions of such agreements and are qualified in their entirety by reference to the full text of the Mortgage, Security Agreement, Assignment of Leases and Rents, the Mortgage, and the Open-End Mortgage, Security Agreement, and Assignment of Leases and Rents, filed with this report as Exhibits 99.2, 99.3, and 99.4, respectively.

### **Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.**

The information set forth above under Item 1.01 of this Current Report on Form 8-K is incorporated by reference into this Item 2.03.

### **Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits

KADANT INC.

No.	Description
99.1	<a href="#"><u>Promissory Note in the principal amount of \$21,000,000 dated July 6, 2018, executed by Kadant Inc., Kadant Johnson LLC, Kadant Black Clawson LLC and Verus Lebanon, LLC in favor of Citizens Bank, N.A.</u></a>
99.2	<a href="#"><u>Mortgage, Security Agreement and Assignment of Leases and Rents dated July 6, 2018 executed by Kadant Inc. in favor of Citizens Bank, N.A. relating to the real property and related personal property located in Auburn, Massachusetts.</u></a>
99.3	<a href="#"><u>Mortgage dated July 6, 2018 by Kadant Johnson LLC in favor of Citizens Bank, N.A. relating to the real property and related personal property located in Three Rivers, Michigan.</u></a>
99.4	<a href="#"><u>Open-End Mortgage, Security Agreement, and Assignment of Leases and Rents by Verus Lebanon, LLC in favor of Citizens Bank, N.A. to the real property and related personal property located in Lebanon, Ohio.</u></a>

**KADANT INC.**

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**KADANT INC.**

Date: July 12, 2018

By

/s/ Michael J. McKenney

Michael J. McKenney

Executive Vice President and Chief Financial Officer

PROMISSORY NOTE

\$21,000,000.00

July 6, 2018  
Boston, Massachusetts

FOR VALUE RECEIVED, Kadant Inc., a Delaware corporation (“Kadant”), Kadant Johnson LLC, a Delaware limited liability company (“Kadant Johnson”), and Kadant Black Clawson LLC, a Delaware limited liability company (“Kadant Black”) and Verus Lebanon, LLC a Delaware limited liability company having an address c/o Kadant Inc., One Technology Park Drive, Westford, MA 01886 (“Verus”, and together with Kadant, Kadant Johnson, Kadant Black and their respective successors and assigns, the “Borrowers”), promise to pay to Citizens Bank, N.A. (together with its successors and assigns, the “Bank”), or order, at the Bank’s place of business located at 28 State Street, Boston, Massachusetts 02109, or at such other place as the Bank may designate to the Borrowers from time to time, the principal sum of TWENTY-ONE MILLION DOLLARS (\$21,000,000.00), together with interest on the unpaid principal balance as set forth below.

1. Payments of Principal and Interest. Payments of principal and interest shall be made in lawful money of the United States as follows:

(a) Interest Provisions. Interest on the outstanding principal amount of the Loan shall accrue at a fixed rate equal to Four and 45/100 percent (4.45%) per annum.

(b) Repayment. Commencing on the first Payment Date and on each subsequent Payment Date, principal in an amount equal to the Principal Repayment Amount plus accrued interest.

(c) Upon Maturity. All unpaid principal and accrued interest and any other amounts due hereunder shall be paid in full on the Maturity Date.

2. Definitions.

(a) Business Day. The term “Business Day” means: any day that is neither a Saturday or Sunday nor a legal holiday on which commercial banks are authorized or required to be closed in Boston, Massachusetts.

(b) EDGAR. The term “EDGAR” means the Electronic Data Gathering, Analysis and Retrieval computer system for the receipt, acceptance, review and dissemination of documents submitted to the SEC in electronic format.

(c) Financial Officer. The term “Financial Officer” means, with respect to any Borrower, the chief financial officer, principal accounting officer, treasurer or comptroller of such Borrower (or such other financial officer as is acceptable to the Bank).

(d) Funding Date. The term “Funding Date” means July 6, 2018.

(e) GAAP. The term “GAAP” means generally accepted accounting principles in effect from time to time in the United States.

(f) Loan. The term “Loan” means all amounts outstanding under this Note.

(g) Maturity Date. The term “Maturity Date” means the date that is ten (10) years after

the date hereof.

(h) Payment Date. The term “Payment Date” means each quarterly payment date set forth in the Schedule A attached hereto and made a part hereof, commencing on the first Payment Date following the date of this Note and continuing through and including the Maturity Date.

(i) Principal Repayment Amount. The term “Principal Repayment Amount” means the amount of Two Hundred Sixty-Two Thousand Five Hundred Dollars (\$262,500.00).

(j) subsidiary. The term “subsidiary” means, with respect to any Person (“Topco”), as of any date, any corporation, limited liability company, partnership, association or other entity the accounts of which would be consolidated with those of Topco in Topco’s consolidated financial statements if such financial statements were prepared in accordance with GAAP as of such date, as well as any other corporation, limited liability company, partnership, association or other entity of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power is or, in the case of a partnership, more than 50% of the general partnership interests are, as of such date, owned, controlled or held by Topco or one or more subsidiaries of Topco.

(k) Subsidiary. The term “Subsidiary” means any direct or indirect subsidiary of the Borrower or a Loan Party, as the context may require.

3. Funding of the Loan. On the Funding Date and on terms and subject to the conditions of this Note, the Loan shall be made available to the Borrowers no later than 11:00 a.m. New York time by a deposit to an account of the Borrowers at the Bank (or as otherwise instructed by the Borrowers in writing) in the full principal amount of the Loan.

4. Increased Capital Costs. If any change in, or the introduction, adoption, effectiveness, interpretation, reinterpretation or phase-in of any law or regulation, directive, guideline, decision or request (whether or not having the force of law) of any court, central bank, regulator or other governmental authority affects or would affect the amount of capital required or expected to be maintained by the Bank, or any person controlling the Bank, and the Bank determines (in its sole but reasonable discretion) that the rate of return on its or such controlling person’s capital as a consequence of its commitments or the Loan made by the Bank is reduced to a level below that which the Bank or such controlling person could have achieved but for the occurrence of any such circumstance, then, in any such case upon notice from time to time by the Bank to the Borrowers, the Borrowers shall immediately pay directly to the Bank additional amounts sufficient to compensate the Bank or such controlling person for such reduction in the rate of return. A statement of the Bank as to any such additional amount or amounts (including calculations thereof in reasonable detail) shall, in the absence of manifest error, be conclusive and binding on the Borrowers. In determining such amount, the Bank may use any method of averaging and attribution that it (in its sole and absolute discretion) shall deem applicable.

5. Prepayment of the Loan.

(a) The Loan may not be voluntarily prepaid in any amount, within one (1) year after the date hereof. The Loan may be prepaid in whole or in part upon the terms and conditions set forth herein, commencing one (1) year after the date hereof. The Borrowers shall give the Bank, no later than 10:00 a.m., New York City time, at least thirty (30) days’ prior written notice of any proposed prepayment of the Loan, specifying the proposed date of payment and the principal amount to be paid. Each partial prepayment shall be accompanied by all accrued interest on the principal repaid to the date of prepayment. Each partial prepayment of the principal amount shall be in an integral multiple of \$100,000 and be accompanied by the

payment of all charges outstanding and of all accrued interest on the principal repaid to the date of payment. The Borrowers acknowledge that prepayment or acceleration of the Loan shall result in the Bank incurring additional costs, expenses and/or liabilities and that it is extremely difficult and impractical to ascertain the extent of such costs, expenses and/or liabilities. Therefore, all full or partial prepayments of the Loan shall be accompanied by, and the Borrowers hereby promise to pay, on each date the Loan is prepaid or the date all sums payable hereunder become due and payable, by acceleration or otherwise, in addition to all other sums then owing, an amount (the “Prepayment Fee”) determined by the Bank pursuant to the following formula:

- (i) no prepayment of the Loan is permitted during the first twelve (12) month period after the date of this Note;
- (ii) two percent (2%) of the amount to be prepaid if prepaid during the second twelve (12) month period after the date of this Note;
- (iii) one percent (1%) of the amount to be prepaid if prepaid during the third twelve (12) month period after the date of this Note; and
- (iv) no Prepayment Fee if prepaid after the third twelve month period after the date of this Note.

(b) Any partial prepayment shall first be applied to accrued interest then due and then to the unpaid principal in reverse order of maturity.

Notwithstanding the forgoing and in the absence of an Event of Default, there shall be no prepayment penalty associated with the application by the Bank of any casualty or condemnation proceeds to the outstanding principal balance of the Loan.

6. Financial Reports. The Borrowers shall deliver to the Bank the financial reporting required pursuant to the Credit Agreement (as defined below), including without limitation:

(a) as soon as available, but in any event within 90 days after the end of each fiscal year of Kadant, on EDGAR the audited consolidated balance sheet of Kadant and its consolidated Subsidiaries as at the end of such year and the related audited consolidated statements of income and of cash flows for such year, setting forth in each case in comparative form the figures for the previous year reported on without a “going concern” or like qualification or exception, or qualification arising out of the scope of the audit, by KPMG LLP or other independent certified public accountants of nationally recognized standing; and;

(b) as soon as available, but in any event not later than 45 days after the end of each of the first three quarterly periods of each fiscal year of Kadant, on EDGAR the unaudited consolidated balance sheet of Kadant and its consolidated Subsidiaries as at the end of such quarter and the related unaudited consolidated statements of income and of cash flows for such quarter and the portion of the fiscal year through the end of such quarter, setting forth in each case in comparative form the figures for the previous year, certified by a Responsible Officer as being fairly stated in all material respects (subject to normal year end audit adjustments); and

(c) concurrently with any delivery of financial statements under clause (a) or (b) above, a Compliance Certificate in the form required pursuant to the Credit Agreement signed by a Financial Officer of Kadant. The Borrowers shall attach to the Compliance Certificate reasonably detailed calculations demonstrating compliance with Section 7, below, if such covenants are required to be tested

pursuant to Section 7 below.

All such financial statements shall be complete and correct in all material respects and shall be prepared in reasonable detail and in accordance with generally acceptable accounting principles in the United States as in effect from time to time applied (except as approved by such accountants or officer, as the case may be, and disclosed in reasonable detail therein and subject to the absence of footnotes with respect to quarterly statements) consistently throughout the periods reflected therein and with prior periods. If the financial reporting requirements set forth in the Credit Agreement are amended after the date hereof, the reporting requirements hereunder shall be deemed to be satisfied if the Borrowers comply with such amended reporting requirements in the Credit Agreement.

7. Financial Covenants. If the Bank ceases to be a party to that certain Amended and Restated Credit Agreement dated as of March 1, 2017, by and among the Bank, Kadant, and certain other parties, as the same may be amended or restated from time to time (the "Credit Agreement"), or the Credit Agreement is terminated, then the Borrowers shall be required to comply with the financial reporting and financial covenants set forth in the Credit Agreement (as they are stated in the version of the Credit Agreement which is effective immediately prior to such cessation or termination) (the "Financial Covenants"), such Financial Covenants to be tested on a quarterly basis as if such Financial Covenants are set forth herein. Any other references to the Credit Agreement in this Note or the other Loan Documents shall be deemed to refer to the most recent version of the Credit Agreement to which the Lender is a party.

8. Default Rate. Without intending to limit any of the other rights and remedies of the Bank, any payment of principal hereunder due at the Maturity Date or upon any acceleration of the Maturity Date which is not paid when due shall bear interest at a rate equal to the Prime Rate plus three percent (3%) per annum (the "Default Rate").

9. Abatement of Interest. If, at any time, the interest due or payable in accordance with any term or provision of this Note shall exceed the amount permitted by law, notwithstanding anything in this Note to the contrary, the interest payable under such term or provision shall be the highest amount permitted by law.

10. Acceleration. At the option of the Bank, all amounts payable under this Note shall become immediately due and payable without any further demand or notice of any kind upon the occurrence of any Event of Default, as defined in the Mortgages (as defined in Section 19 below).

11. Miscellaneous. The Borrowers and all indorsers and guarantors hereof hereby waive presentment, demand, notice, protest and, except as specifically set forth herein or in any instrument given as security for this Note, all other forms of demand and notice concerning this Note and consent to each and every extension or postponement of the time of payment or other indulgence with respect to this Note, and to each and every substitution, addition, exchange or release of collateral and to the addition, substitution or release of any person primarily or secondarily liable hereunder. No delay or omission by the Bank or other holder hereof in exercising any right or power hereunder shall operate as a waiver of such right or power, and a waiver on one occasion shall not be construed as a waiver or a bar to the exercise of a right on any other occasion. Any provision of this Note which is prohibited by law shall be ineffective to the extent of such prohibition without invalidating any other provision hereof. The rights and remedies of the Bank as provided in this Note shall be cumulative and concurrent, and may be pursued singly, successively, or together against the Borrowers and any guarantor hereof, at the sole discretion of the Bank. The Bank's failure to exercise any such right or remedy shall in no event be construed as a waiver or release of such right or remedy or of the right to exercise any such right or remedy at any later time.



12. Payment of Bank's Expenses. The Borrowers and all indorsers and guarantors of this Note shall pay on demand to the Bank all reasonable costs and expenses of the Bank in connection with protection or enforcement of its rights under this Note, including, without limitation, the Bank's reasonable attorneys' fees and expenses incurred by the Bank in protecting or enforcing its rights under this Note, including any proceedings and appeals thereof, and any action to realize upon any judgment against the Borrowers or any indorser or guarantor of this Note obtained by the Bank.

13. Notices. Each notice, demand, election or request provided for or permitted to be given pursuant to this Note shall be given in accordance with the notice provisions of the Mortgages.

15. Governing Law. This Note shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts without regard to conflict of laws provisions therein.

16. Waiver of Rights. In any litigation brought in connection with this Note, the Borrowers and each endorser and guarantor hereby waive the right to interpose any set-off or counterclaim of any nature or description except for set-offs or counterclaims relating to the loan transaction to which this Note relates.

17. Liability. The liability of the Borrowers and all indorsers and guarantors (except to the extent provided or limited by separate written guaranty agreements between the Bank and such guarantors) of this Note are joint and several. No person obligated on account of this Note may seek contribution from any other person also obligated unless and until all liabilities to the Bank under the Loan Documents of the person from whom contribution is sought have been satisfied in full.

18. Captions. The captions used herein are for convenience of reference only and shall have no force or effect in the interpretation of any provision of this Note.

19. Security. This Note is secured by (i) a certain Mortgage, Security Agreement, and Assignment of Leases and Rents of even date herewith by Kadant in favor of the Bank (together with all amendments, restatements, modifications, replacements, renewals and extensions thereof, the "Massachusetts Mortgage") covering certain land and improvements located at 35 Sword Street, Auburn, Worcester County, Massachusetts (the "Massachusetts Property"), (ii) a certain Mortgage of even date herewith by Kadant Johnson in favor of the Bank (together with all amendments, restatements, modifications, replacements, renewals and extensions thereof, the "Michigan Mortgage") covering certain land and improvements located at 705 and 805 Wood Street, Three Rivers, St. Joseph County, Michigan (the "Michigan Property"), and (iii) a certain Open-End Mortgage, Security Agreement, and Assignment of Rents of even date herewith by Verus in favor of the Bank (together with all amendments, restatements, modifications, replacements, renewals and extensions thereof, the "Ohio Mortgage") covering certain land and improvements located at 1425 Kingsview Drive, Lebanon, Warren County, Ohio (the "Ohio Property"). The Massachusetts Mortgage, the Michigan Mortgage, and the Ohio Mortgage are collectively referred to herein as the "Mortgages." The Massachusetts Property, the Michigan Property, and the Ohio Property are collectively referred to herein as the "Mortgaged Properties."

20. CONSENT TO JURISDICTION; WAIVERS

THE BORROWERS HEREBY IRREVOCABLY AND UNCONDITIONALLY (A) SUBMIT TO PERSONAL JURISDICTION IN THE COMMONWEALTH OF MASSACHUSETTS OVER ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS NOTE OR ANY OF THE OTHER LOAN DOCUMENTS, AND (B) WAIVE ANY AND ALL PERSONAL RIGHTS UNDER THE

LAWS OF ANY STATE (I) TO TRIAL BY JURY, (II) TO OBJECT TO JURISDICTION WITHIN THE COMMONWEALTH OF MASSACHUSETTS OR VENUE IN ANY PARTICULAR FORUM WITHIN THE COMMONWEALTH OF MASSACHUSETTS, AND (III) TO CLAIM OR RECOVER ANY SPECIAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES OR ANY DAMAGES OTHER THAN ACTUAL DAMAGES. THE BORROWERS HERETO HEREBY (A) CERTIFY THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVERS AND (B) ACKNOWLEDGE THAT THEY AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS NOTE AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE WAIVERS AND CERTIFICATIONS IN THIS SECTION.

THE BORROWERS AGREE THAT, IN ADDITION TO ANY METHODS OF SERVICE OF PROCESS PROVIDED FOR UNDER APPLICABLE LAW, ALL SERVICE OF PROCESS IN ANY SUCH SUIT, ACTION OR PROCEEDING MAY BE MADE BY CERTIFIED OR REGISTERED MAIL, RETURN RECEIPT REQUESTED DIRECTED TO THE BORROWERS AT THE ADDRESS SET FORTH IN SECTION 13 ABOVE, AND SERVICE SO MADE SHALL BE COMPLETE FIVE (5) DAYS AFTER THE SAME SHALL BE SO MAILED. NOTHING CONTAINED HEREIN, HOWEVER, SHALL PREVENT THE BANK FROM BRINGING ANY SUIT, ACTION OR PROCEEDING OR EXERCISING ANY RIGHTS AGAINST ANY COLLATERAL AND AGAINST THE BORROWERS, AND AGAINST ANY PROPERTY OF THE BORROWERS, IN ANY OTHER STATE. INITIATING SUCH SUIT, ACTION OR PROCEEDING OR TAKING SUCH ACTION IN ANY STATE SHALL IN NO EVENT CONSTITUTE A WAIVER OF THE AGREEMENT CONTAINED HEREIN THAT THE LAWS OF THE COMMONWEALTH OF MASSACHUSETTS SHALL GOVERN THE RIGHTS AND OBLIGATIONS OF THE BORROWERS AND THE BANK HEREUNDER OR THE SUBMISSION HEREIN BY THE BORROWERS TO PERSONAL JURISDICTION WITHIN THE COMMONWEALTH OF MASSACHUSETTS.

By acceptance of this Note, the Bank waives any and all rights under the laws of any state to trial by jury.

21. CONDITIONS PRECEDENT

The Bank shall not be obligated to establish the Loan and advance the proceeds thereof to the Borrowers unless the Borrowers are in compliance with the provisions of this Note and each of the following additional conditions precedent has been satisfied:

(a) Loan Documents. The Borrowers shall have executed and delivered to the Bank the Loan Documents in form and substance satisfactory to the Bank. The Borrowers shall have fully cooperated with the Bank in achieving the perfection of any security interests granted to the Bank under the Loan Documents, including, without limitation, the delivery by the Borrowers to the Bank of any documents, information, materials, and consents as may be necessary to perfect any security interests granted to the Banks under the Loan Documents.

(b) Title Insurance. The Bank shall have received a full coverage ALTA form of title insurance policy for each Mortgaged Property in an amount equal to the fair market value of each Mortgaged Property, as applicable (or, in lieu of a policy, a title insurance commitment containing the title insurance company's agreement to issue such policy upon recording of each Mortgage) insuring that each Mortgage is a valid first priority lien on the Borrowers' unencumbered fee simple estate of good and marketable title in the Mortgaged Properties, subject only to such title exceptions as shall be reviewed and approved by the Bank's legal counsel.

The form of such title insurance policy and the issuer thereof shall be subject to the approval of the Bank, and the cost of such title insurance, any endorsements thereto requested by the Bank (including, without limitation, an ALTA 3.1 zoning endorsement), and any additional fees incurred by the Bank or the Bank's legal counsel shall be paid solely by the Borrowers.

(c) Title Clearing Matters. The Borrowers shall have provided to the Bank (i) evidence that all real estate taxes and other municipal charges affecting the Mortgaged Properties have been paid in full as of the date hereof and (ii) a current payoff quotation, in form and substance reasonably satisfactory to the Bank, issued by the holder of any indebtedness secured by the Mortgaged Properties.

(d) Survey; Flood Hazard & Insurance. Unless waived in writing by the Bank, the Bank shall have received and approved a Survey for each Mortgaged Property. Each Survey shall contain a certification by a registered surveyor that the Mortgaged Properties conform to dimensional requirements of zoning and building ordinances and restrictions of record and shall also contain a certification by the surveyor as to whether any Mortgaged Property is in a designated flood hazard area. If such Survey or the Bank's own flood hazard certification indicates that any Mortgaged Property is located in a flood hazard area, the Borrowers shall have purchased flood insurance in an amount as required by the Bank in the Mortgages, which insurance shall name the Bank as loss payee. "Survey" means an instrument survey (or, if acceptable to the Bank, a mortgage plot plan) which describes the outline of the Mortgaged Properties by metes and bounds and clearly identifies the location of all easements, encroachments, rights of way, and foundations constructed on the Mortgaged Properties.

(e) Insurance. The Borrowers shall have furnished to the Bank evidence satisfactory to the Bank of the insurance coverage for the Borrowers and the Mortgaged Properties as required in Section 1.7 of the Mortgages (along with evidence of payment of the premium therefor annually in advance).

(f) Opinions. The Bank shall have received and approved (i) an opinion of legal counsel to the Borrowers in form and content reasonably satisfactory to the Bank and its legal counsel, dated as of the date hereof, regarding the legal existence of the Borrowers, the authority of the Borrowers to execute all Loan Documents, the enforceability of the Loan Documents against the Borrowers, and the existence of any pending or threatened litigation against the Borrowers and the Mortgaged Properties; and (ii) unless waived in writing by the Bank, an opinion of legal counsel to the Borrowers in form and content reasonably satisfactory to the Bank and its legal counsel, dated as of the date hereof, that the Mortgaged Properties comply with applicable zoning laws and regulations of governmental authorities.

(g) USA PATRIOT ACT. The Bank shall have received all documentation and other information requested by them and required by regulatory authorities under applicable "know your customer" and anti-money laundering rules and regulations, including the USA PATRIOT Act. Each Bank that is subject to the USA PATRIOT Act and the Bank hereby notifies the Borrowers that pursuant to the requirements of the USA PATRIOT Act, it is required to obtain, verify and record information that identifies each Borrower, which information includes the name and address of each Borrower and other information that will allow such Bank to identify each Borrower in accordance with the USA PATRIOT Act. Each Borrower shall, and shall cause each subsidiary to, provide such information and take such actions as are reasonably requested by the Bank in maintaining compliance with the USA PATRIOT Act. "USA PATRIOT Act" means The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (Title III of Pub. L. No. 107-56 (signed into law October 26, 2001)).

(h) Searches. The Bank shall have received searches of the appropriate Uniform Commercial Code filing office showing no lien affecting any collateral for the Loan, other than those liens in favor of the Bank; and searches evidencing that the Borrowers are not affected by any state or federal tax lien.

(i) Appraisals. The Bank shall have received and accepted appraisals of the Mortgaged Properties evidencing a Loan to Value Ratio for the Mortgaged Properties of not more than eighty-five percent (85%). “Loan to Value Ratio” means the ratio achieved by dividing the outstanding principal balance under this Note by the aggregate fair market value of the Mortgaged Properties (based upon its “as is” value), as determined by a current appraisal ordered by the Bank at the Borrowers’ sole expense.

(j) Environmental; Property Reports. The Borrowers shall have delivered to the Bank all environmental reports, property condition reports, and zoning reports and analyses regarding the Mortgaged Properties in the possession of the Borrowers. The Bank shall also have received such additional environmental reports and analyses regarding the Mortgaged Properties as requested by the Bank and in form and substance satisfactory to the Bank evidencing the absence of oil and hazardous materials on or affecting the Mortgaged Properties. The cost of such reports and analyses shall be borne solely by the Borrowers.

(k) Bank’s Fees and Expenses. The Borrowers shall have paid an origination fee in the amount of \$52,500.00 to the Bank and shall have reimbursed to the Bank all fees and expenses incurred by the Bank in connection with the Loan, including, without limitation, reasonable legal fees and expenses and expenses for appraisals, flood hazard determinations, and environmental assessments.

(l) Additional Documents & Information. The Borrowers shall have provided to the Bank such additional documents and information related to the transactions contemplated hereby as the Bank may reasonably request.

[Remainder of Page Left Intentionally Blank]

Executed as a sealed instrument as of the date set forth above.

**BORROWERS:**

KADANT INC.

/s/ Stacy D. Krause

Witness

By: /s/ Daniel J. Walsh

Name: Daniel J. Walsh

Title: Treasurer

KADANT JOHNSON LLC

By: Kadant Inc., its sole member

/s/ Stacy D. Krause

Witness

By: /s/ Daniel J. Walsh

Name: Daniel J. Walsh

Title: Treasurer

KADANT BLACK CLAWSON LLC

By: Kadant Inc., its sole member

/s/ Stacy D. Krause

Witness

By: /s/ Daniel J. Walsh

Name: Daniel J. Walsh

Title: Treasurer

VERUS LEBANON, LLC

By: Sundance Partners LLC, its sole member

By: Kadant Black Clawson LLC, its sole member

By: Kadant Inc., its sole member

/s/ Stacy D. Krause

Witness

By: /s/ Daniel J. Walsh

Name: Daniel J. Walsh

Title: Treasurer

*Promissory Note*  
*Page 9*

---

SCHEDULE A

QUARTERLY PAYMENT DATES

September 28, 2018  
December 28, 2018  
March 29, 2019  
June 28, 2019  
September 27, 2019  
December 27, 2019  
March 27, 2020  
June 26, 2020  
September 25, 2020  
December 31, 2020\*  
April 2, 2021  
July 2, 2021  
October 1, 2021  
December 31, 2021  
April 1, 2022  
July 1, 2022  
September 30, 2022  
December 30, 2022  
March 31, 2023  
June 30, 2023  
September 29, 2023  
December 29, 2023  
March 29, 2024  
June 28, 2024  
September 27, 2024  
December 27, 2024  
March 28, 2025  
June 27, 2025  
September 26, 2025  
January 2, 2026  
March 27, 2026  
June 26, 2026  
September 25, 2026  
December 31, 2026\*  
April 2, 2027  
July 2, 2027  
October 1, 2027  
December 31, 2027  
March 31, 2028  
June 30, 2028

MORTGAGE, SECURITY AGREEMENT, AND ASSIGNMENT OF LEASES AND RENTS

THIS MORTGAGE, SECURITY AGREEMENT, AND ASSIGNMENT OF RENTS (this “Mortgage”), dated as of the 6th day of July, 2018 is made by Kadant Inc., a Delaware corporation the (“Mortgagor”), having a place of business at One Technology Park Drive, Westford, MA 01886 in favor of Citizens Bank, N.A. (the “Mortgagee”), having an office at 28 State Street, Boston, MA 02109.

## RECITALS

The Mortgagor, Kadant Johnson LLC, a Delaware limited liability company, having an address c/o Kadant, Inc., One Technology Park Drive, Westford, MA 01886 (“Kadant Johnson”), Kadant Black Clawson LLC, a Delaware limited liability company, having an address c/o Kadant, Inc., One Technology Park Drive, Westford, MA 01886 (“Kadant Black”) and Verus Lebanon, LLC a Delaware limited liability company having an address c/o Kadant Inc., One Technology Park Drive, Westford, MA 01886 (“Verus”, and collectively with Mortgagor, Kadant Johnson and Kadant Black, the “Borrowers”) has executed and delivered to the Mortgagee a certain Promissory Note of even date herewith in the original principal amount of \$21,000,000.00 (together with all amendments, restatements, modifications, replacements, renewals and extensions thereof, the “Note”).

This Mortgage, the Note, and the other Mortgages (as defined in the Note) together with all other documents or instruments previously, now or hereafter executed by any of the Borrowers in favor of the Mortgagee in connection with the Loan (as defined below) or entered into by any of the Borrowers in connection with the Loan, including any and all extensions, renewals, amendments, restatements, modifications and supplements thereof, are collectively referred to herein as the “Loan Documents”. Capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Note.

GRANTING CLAUSE

NOW, THEREFORE, in consideration of the Mortgagee's making the loan that is evidenced by the Note (the “Loan”), and in order to secure the payment of all amounts due and payable under the Note or any other Loan Document (the “Obligations”), the Mortgagor does hereby give, grant, bargain, sell and confirm to the Mortgagee, with MORTGAGE COVENANTS, the following property, rights and interests, TO HAVE AND TO HOLD unto the Mortgagee, its successors and assigns forever:

(1) the land located at 35 Sword Street, Auburn, Worcester County, Massachusetts, described in Exhibit A attached hereto (the “Land”), together with all buildings and improvements now or hereafter situated thereon owned by the Mortgagor (collectively “Improvements”); all easements, rights, privileges and appurtenances thereto; and all leases, rents, issues and profits therefrom (collectively, the “Mortgaged Property”);

(2) all fixtures, fittings, appliances, apparatus, equipment, machinery, and all building materials, supplies and equipment owned by the Mortgagor now or hereafter delivered to the Mortgaged Property and replacements thereof owned by the Mortgagor now or at any time hereafter affixed to, attached to, placed upon, or used in any way in connection with the complete and comfortable use, enjoyment, occupancy or operation of the improvements on the Mortgaged Property as a commercial building, but excluding all trade fixtures, furniture, supplies, inventory, and equipment used by the Mortgagor in connection with its business (collectively, the “Personal Property”);



(3) all contracts, agreements and warranties, including rights to return of deposits, prepaid premiums or other payments, relating to the construction, renovation, development, redevelopment, maintenance, repair, management, operation, use or occupancy of the Mortgaged Property, but not relating to the Mortgagor's business;

(4) all of the Mortgagor's right, title and interest in and to all proceeds of the conversion, voluntary or involuntary, of any of the Mortgaged Property or Personal Property into cash or liquidated claims, including, without limitation, proceeds of insurance and condemnation awards;

(5) all of the Mortgagor's right, title and interest in and to all licenses, and permits for the development, construction, use or occupancy of the Mortgaged Property as a commercial building, but excluding all such licenses or permits for the operation of the Mortgagor's other business at the Mortgaged Property; and

(6) all building books and records of the Mortgagor wheresoever situated, directly or indirectly related to the operation, maintenance, and ownership of the Mortgaged Property as real estate, whether or not kept in the normal course of Mortgagor's business, but excluding any such books and records related solely to the Mortgagor's other business at the Mortgaged Property.

The Personal Property and the items described in clauses (3) through (6) above are hereinafter collectively referred to as the "Collateral."

This Mortgage shall constitute a "security agreement" within the meaning of the Uniform Commercial Code with respect to the Collateral covered hereby. The Mortgagor hereby grants the Mortgagee a security interest in all of the Collateral, and a security interest shall attach thereto and shall be vested directly in the Mortgagee to secure the Obligations.

In addition to the other Events of Default set forth in Article II below, any Event of Default under the Loan, any other loans, hedging or swap contracts or other bank product obligations of the Mortgagor to Mortgagee or an affiliate of Mortgagee, shall constitute an Event of Default under the Loan and this Agreement, and the Mortgagee, in its sole discretion may exercise any and/or all of its remedies under the Loan Documents, including without limitation, declare the Loan to be immediately due and payable.

#### ASSIGNMENT OF LEASES AND RENTS

Mortgagor hereby irrevocably, absolutely, presently and unconditionally assigns to Mortgagee all Mortgagor's right, title, and interest in and to leases, licenses, and other occupancy agreements of whatever name or description heretofore or hereafter entered into with respect to the Mortgaged Property or any part thereof, together with all options therefor, all extensions, modifications, and renewals thereof, and any guaranties of the tenant's obligations thereunder, and including any cash or security deposits thereunder to secure performance by tenants of their obligations (collectively, the "Leases") and all Mortgagor's right, title, and interest in and to the rents, royalties, issues, profits, revenue, income and proceeds of the Mortgaged Property, whether now due, past due or to become due, including all prepaid rents and security deposits (collectively, the "Rents"), and confers upon Mortgagee the right to collect such Rents with or without taking possession of the Mortgaged Property. In the event that anyone establishes and exercises any right to develop, bore for or mine for any water, gas, oil or mineral on or under the surface of the Mortgaged Property, any sums that may become due and payable to Mortgagor as bonus or royalty payments, and any damages or other compensation payable to Mortgagor in connection with the exercise of any such rights, shall also be considered Rents assigned under this Paragraph. THIS IS AN ABSOLUTE ASSIGNMENT, NOT AN

ASSIGNMENT FOR SECURITY ONLY.

Notwithstanding the provisions of section, Mortgagee hereby confers upon Mortgagor a license (“License”) to collect and retain the Rents as they become due and payable, so long as no Event of Default, as defined in Article II, shall exist. If an Event of Default has occurred, Mortgagee shall have the right, which it may choose to exercise in its sole discretion, to terminate this License and without regard to the adequacy of the security for the Obligations. Mortgagee agrees to provide prompt notice of such termination to Mortgagor.

ARTICLE I  
MORTGAGOR'S COVENANTS

The Mortgagor covenants and agrees as follows:

1.1. Title. The Mortgagor warrants (a) that it has good and marketable title in fee simple to the Mortgaged Property subject to no lien, charge or encumbrance except as listed on Exhibit B attached hereto; (b) that it owns the Personal Property free and clear of all liens and claims; (c) that this Mortgage is and will remain a valid and enforceable first lien on the Mortgaged Property and the Collateral subject only to the exceptions referred to above and such other exceptions as may be approved in writing by the Mortgagee; (d) that it has full power and lawful authority to mortgage the Mortgaged Property and grant a security interest in the Collateral in the manner and form herein done or intended hereafter to be done; and (e) that it will preserve such title, will forever warrant and defend the same to the Mortgagee and will forever warrant and, subject to the matters listed in Exhibit B, defend the validity and priority of the lien hereof against the claims of all persons and parties whomsoever.

1.2. Further Assurances. The Mortgagor will, at the sole cost of the Mortgagor, and without expense to the Mortgagee, do, execute, acknowledge and deliver all and every such further acts, deeds, conveyances, mortgages, assignments, notices of assignments, transfers and assurances as the Mortgagee shall from time to time require, for the better assuring, conveying, assigning, transferring and confirming unto the Mortgagee the property and rights hereby conveyed or assigned or intended now or hereafter so to be, or which the Mortgagor may be or may hereafter become bound to convey or assign to the Mortgagee, or for carrying out the intention or facilitating the performance of the terms of this Mortgage, or for filing, registering or recording this Mortgage and, on demand, will execute and deliver, and hereby authorizes the Mortgagee to execute in the name of the Mortgagor to the extent it may lawfully do so, one or more financing statements, chattel mortgages or comparable security instruments, to evidence more effectively the lien hereof upon the Mortgaged Property or the Collateral.

1.3. Compliance with Laws. The Mortgagor, or any successor to the Mortgagor permitted under Section 1.12(c) below, will, so long as it is owner of the Mortgaged Property or the Collateral do all things necessary to preserve and keep in full force and effect its existence, franchises, rights and privileges as a corporation under the laws of the state of such entity's incorporation and will comply with all regulations, rules, ordinances, statutes, orders and decrees of any governmental authority or court applicable to the Mortgagor or to the Mortgaged Property or the Collateral or any part thereof.

1.4. Additions to Mortgaged Property. The Mortgagor shall not construct or erect any additional improvements, buildings or structures nor make any substantial additions to or alterations of the improvements, buildings, and structures now or hereafter located on the Mortgaged Property, nor shall the Mortgagor permit any such actions by any other person or entity, which (a) do not comply with all applicable federal, state and local zoning and land use laws and regulations, or (b) cause a material reduction in the

value of the Mortgaged Property, without the prior written consent of the Mortgagee. All right, title and interest of the Mortgagor in and to all extensions, improvements, betterments, renewals, substitutions for and replacements of, and all additions and appurtenances to, the Mortgaged Property or the Collateral, hereafter acquired by, or released to, the Mortgagor or constructed, assembled or placed by the Mortgagor on the Mortgaged Property, and all conversions of the security constituted thereby, immediately upon such acquisition, release, construction, assembling, placement or conversion, as the case may be, and in each such case, without any further mortgage, conveyance, assignment or other act by the Mortgagor, shall become subject to the lien of this Mortgage as fully and completely, and with the same effect, as though now owned by the Mortgagor and specifically described in the granting clause hereof, and at any and all times the Mortgagor will execute and deliver to the Mortgagee any and all such further assurances, mortgages, conveyances or assignments thereof as the Mortgagee may reasonably require for the purpose of expressly and specifically subjecting the same to the lien of this Mortgage.

1.5. Payment of Taxes and Liens.

(a) The Mortgagor, from time to time when the same shall become due, will pay and discharge, or cause to be paid and discharged, all taxes of every kind and nature (including, without limitation, real and personal property taxes and income, franchise, withholding, profits and gross receipts taxes), all general and special assessments, levies, permits, inspection and license fees, all water and sewer rents and charges, and all other public charges whether of a like or different nature, imposed upon or assessed against the Mortgaged Property or the Collateral or any part thereof or upon the revenues, rents, issues, income or profits of the Mortgaged Property or the Collateral or arising in respect of the occupancy, use or possession thereof. Upon demand by the Mortgagee, the Mortgagor shall deliver to the Mortgagee receipts evidencing the payment of all such taxes, assessments, levies, fees, rents and other public charges imposed upon or assessed against it or the Mortgaged Property or the Collateral or the revenues, rents, issues, income or profits thereof

(b) The Mortgagor will pay, or cause to be paid, from time to time when the same shall become due, all lawful claims and demands of mechanics, materialmen, laborers, and others which, if unpaid, might result in, or permit the creation of, a lien on the Mortgaged Property or the Collateral or any part thereof, or on the revenues, rents, issues, income or profits arising therefrom and in general will do or cause to be done everything necessary so that the lien hereof shall be fully preserved, at the sole cost of the Mortgagor, without expense to the Mortgagee.

(c) Nothing in this Section 1.5 shall require the payment or discharge of any obligation imposed upon the Mortgagor by this Section so long as the Mortgagor shall in good faith and at its own expense contest the same or the validity thereof by appropriate legal proceedings which shall operate to prevent the collection thereof or other realization thereon and the sale or forfeiture of the Mortgaged Property or the Collateral or any part thereof to satisfy the same; provided that during such contest the Mortgagor shall, at the option of the Mortgagee, provide security satisfactory to the Mortgagee, assuring the discharge of the Mortgagor's obligation hereunder and of any additional charge, penalty or expense arising from or incurred as a result of such contest; and provided further, that if at any time payment of any obligation imposed upon the Mortgagor by subsection (a) hereof shall become necessary to prevent the delivery of a tax deed conveying the Mortgaged Property or the Collateral or any portion thereof because of non-payment, then Mortgagor shall pay the same in sufficient time to prevent the delivery of such tax deed.

1.6. Payment of Mortgagee's Taxes. The Mortgagor will pay all taxes (except income taxes) imposed on the Mortgagee by reason of its ownership of this Mortgage.

1.7. Insurance.

(a) The Mortgagor will cause the Mortgaged Property and the Personal Property now and hereafter located on the Mortgaged Property to be kept insured, in such amounts, with such companies, for such periods and on such other terms as the Mortgagee may reasonably require and with such coverages, endorsements, deductibles, and expiration dates as are acceptable to the Mortgagee, providing the following types of insurance covering the Mortgaged Property and Personal Property:

(1) "All Risk" property insurance (including broad form flood, broad form earthquake and comprehensive boiler and machinery coverages) on the Mortgaged Property and the Personal Property in an amount not less than one hundred percent (100%) of the full replacement cost of any Improvements and Personal Property, with deductibles not to exceed \$100,000 for any one occurrence, with a replacement cost coverage endorsement, an agreed amount endorsement, and, if requested by the Mortgagee, a contingent liability from operation of building laws endorsement, a demolition cost endorsement and an increased cost of construction endorsement in such amounts as the Mortgagee may require. Full replacement cost as used herein means the cost of replacing the Improvements (exclusive of the cost of excavations, foundations and footings below the lowest basement floor) and the Personal Property without deduction for physical depreciation thereof;

(2) During the course of any construction or repair of any Improvements, the insurance required by clause (1) above shall be written on a builder's risk, completed value, non-reporting form, meeting all of the terms required by clause (1) above, covering the total value of work performed, material, equipment, machinery and supplies furnished, existing structures, and temporary structures being erected on or near the Mortgaged Property, including coverage against collapse and damage during transit or while being stored off-site, and containing a soft costs (including loss of rents) coverage endorsement and permission to occupy endorsement;

(3) With respect to any portion of any Mortgaged Property that is located in a Flood Zone within a community participating in the National Flood Insurance Program (the "Flood Program") created by the U.S. Congress pursuant to the National Flood Insurance Act of 1968, the Flood Disaster Protection Act of 1973, the National Flood Insurance Reform Act of 1994 and the Flood Insurance Reform Act of 2004, in each case as amended from time to time, and any successor statutes (collectively, the "Flood Insurance Laws"), (A) such flood insurance coverage under policies issued pursuant to and in compliance with the Flood Insurance Laws ("Flood Insurance Policies") in an amount equal to the maximum limit of coverage available for such Mortgaged Property under Flood Insurance Laws, subject only to deductibles consistent in scope and amount with those permitted under the Flood Program and (B) such additional coverage as required by the Mortgagee, if any, under supplemental private insurance policies in an amount so required by the Mortgagee, which when added to the coverage provided under the Flood Insurance Policies required under the foregoing clause (A), is not less than 100% of insurable replacement cost of the improvements on such Mortgaged Property;

(4) Commercial general liability insurance against claims for personal injury (to include, without limitation, bodily injury and personal and advertising injury) and property damage liability, all on an occurrence basis, if available, with such coverages as the Mortgagee may request (including, without limitation, contractual liability coverage, completed operations coverage for a period of two (2) years following completion of construction of any Improvements on the Mortgaged Property, and coverages equivalent to an ISO broad form endorsement), with a general aggregate limit of not less than \$5,000,000.00, and a combined single "per occurrence" limit of not less than \$1,000,000.00 for bodily injury, property damage and medical payments;

- (5) Employer's liability insurance;
- (6) Workmen's compensation insurance for all employees of the Mortgagor engaged on or with respect to the Mortgaged Property; and
- (7) Such additional types and amounts of coverage in such form and in such amounts as may from time to time be requested by the Mortgagee which at the time are customarily (i) maintained by developers or owners of like properties, or (ii) required by sophisticated institutional lenders in like transactions.

(b) The insurance provided for in clause (4) above shall name the Mortgagee as an additional insured and shall contain a cross liability/severability endorsement. The insurance provided for in clauses (1), (2), and (3) above shall name the Mortgagee as mortgagee and loss payee. The Mortgagor shall deliver certificates of insurance and, if requested by the Mortgagee, duplicate originals or certified copies of all such policies to the Mortgagee together with receipts evidencing payment of all premiums for such policies, and the Mortgagor shall promptly furnish to the Mortgagee all renewal notices. All insurance policies shall provide that such insurance shall not be cancelled or modified without at least thirty (30) days' prior written notice to the Mortgagee.

(c) The Mortgagor shall not permit any condition to exist which would wholly or partially invalidate such insurance policies and will make all payments of insurance premiums for which provision has not been made herein, and in default thereof, the Mortgagee may pay the same and the Mortgagor shall reimburse the Mortgagee therefor on demand. The Mortgagee shall not be bound by the fact of approving, disapproving, accepting, preventing, obtaining or failing to obtain any such insurance, incur any liability for the form or legal sufficiency of insurance policies, solvency of insurers, payment of losses or otherwise in connection with such insurance; and the Mortgagor hereby expressly assumes full responsibility therefor and liability, if any, thereunder.

(d) The Mortgagor shall not obtain separate insurance concurrent in form or contributing in the event of loss with that required to be maintained under this Section 1.7, unless the Mortgagee is included thereon as a named insured with loss payable to the Mortgagee under a standard mortgagee endorsement. The Mortgagor shall immediately notify the Mortgagee whenever any such separate insurance is obtained, specifying the insurer thereunder and providing copies of the insurance policies evidencing the same.

(e) Notwithstanding the foregoing, upon thirty (30) days prior notice to the Mortgagee, the Mortgagor may self-insure.

1.8. Casualty.

(a) In the event of any damage or destruction, with a repair or replacement cost of more than \$250,000 in the aggregate, to the Mortgaged Property or the other Collateral by reason of fire or other hazard or casualty (collectively, a "Casualty"), the Mortgagor shall give immediate written notice thereof to the Mortgagee and proceed with reasonable diligence, in full compliance with all applicable laws and regulations ("Legal Requirements"), to repair, restore, rebuild or replace the affected property (collectively, the "Repair Work"). If pursuant to paragraph (c) below, the Mortgagee applies insurance proceeds to the Obligations and does not release the same to the Mortgagor, the obligation of the Mortgagor to complete the Repair Work shall be limited to taking all actions reasonably required to make the Mortgaged Property safe and in compliance with all Legal Requirements and to restore the undamaged portion of the Mortgaged Property to an economically functional unit to the extent that it is reasonably possible to do so.

(b) All insurance claims shall be adjusted by the Mortgagor at the Mortgagor's sole cost and expense, except that the adjustment of all insurance claims of more than \$250,000 shall be subject to the Mortgagee's prior written approval, which shall not be unreasonably withheld; provided that if any Event of Default (as defined below) exists, the Mortgagee shall have the right to adjust and compromise such claims without the approval of the Mortgagor.

(c) All proceeds of insurance shall be paid to the Mortgagor and the Mortgagee and, at the Mortgagee's option, be applied to the Obligations or released, in whole or in part, to pay for the actual cost of repair, restoration, rebuilding or replacement (collectively, the "Repair Costs"). Notwithstanding the foregoing, if the Repair Costs do not exceed \$250,000, the Mortgagee shall release so much of the insurance proceeds as may be required to pay for the Repair Costs in accordance with the provisions of paragraph (d) below.

(d) If the Mortgagee elects, or is required to, release insurance proceeds, then the Mortgagee may impose reasonable conditions on such release which shall include, but not be limited to, the following:

- (i) prior written approval by the Mortgagee, which approval shall not be unreasonably withheld or delayed, of plans, specifications, cost estimates, contracts and bonds for the restoration or repair of the loss or damage;
- (ii) waivers of lien, architect's certificates, contractor's sworn statements and other evidence of costs, payments and completion as the Mortgagee may in good faith require;
- (iii) if the Repair Costs do not exceed \$250,000, the funds to pay therefor shall be released to the Mortgagor; otherwise, funds shall be released upon final completion of the Repair Work, unless the Mortgagor requests earlier funding, in which event partial monthly disbursements equal to 95% of the value of the work completed (or, if the applicable contract is on a cost plus basis, then 95% of the costs of the work completed if such cost is less than the value thereof) shall be made prior to final completion of the repair, restoration or replacement and the balance, of the disbursements shall be made upon full completion and the receipt by the Mortgagee of satisfactory evidence of payment and release of all liens;
- (iv) determination in good faith by the Mortgagee that the undisbursed balance of such proceeds on deposit with the Mortgagee, together with additional funds deposited for the purpose, shall be sufficient to pay for the remaining Repair Costs, free and clear of all liens and claims for lien;
- (v) all work shall comply with Legal Requirements and shall be of a quality that is consistent with or better than the original construction of the Mortgaged Property; and
- (vi) the absence of any Event of Default.

1.9. Taking. If there is any taking for public use of the Mortgaged Property or of any tangible Collateral, then any awards in excess of \$250,000 on account thereof (a) shall be paid to the Mortgagee and shall be applied to the Obligations, and the excess, if any, shall be released to the Mortgagor, or (b) at the Mortgagee's discretion, shall be released to the Mortgagor. If the award is \$250,000 or less, such amount

shall be paid to the Mortgagor. If, in the case of a partial taking or a temporary taking, in the good faith judgment of the Mortgagee the effect of such taking is such that there has not been a material and adverse impairment of the viability of the Mortgaged Property or the value of the Collateral, so long as no Event of Default exists, the Mortgagee shall release awards on account of such taking to the Mortgagor if such awards are sufficient (or amounts sufficient are otherwise made available) to repair or restore the Mortgaged Property to a condition reasonably satisfactory to the Mortgagee and such partial or temporary taking shall not be deemed to violate the provisions of Section 1.12.

1.10. Mortgagee's Right to Satisfy Mortgagor's Obligations. If the Mortgagor shall fail to perform any of the covenants contained herein the Mortgagee may perform the same on its behalf, and any sums advanced by the Mortgagee in performing any of the Mortgagor's covenants shall be secured by this Mortgage. The Mortgagor will repay on demand all sums so advanced on its behalf with interest at the Prime Rate as defined under the Note (the "Default Rate"). The exercise of any right by the Mortgagee under this Section 1.10 shall not prevent any default by the Mortgagor in the observance of any covenant contained in this Mortgage from constituting an Event of Default.

1.11. Maintenance. The Mortgagor will not abandon or leave unprotected the whole or any part of the Mortgaged Property or the Collateral and, except as provided in the Loan Documents, will not commit any waste on the Mortgaged Property or make any change in the use of the Mortgaged Property which will in any way create any unreasonable risk of fire or other hazard. The Mortgagor will, at all times, maintain the Mortgaged Property and the Personal Property in good operating order and condition, and will promptly make from time to time all repairs, renewals, replacements, additions and improvements reasonably necessary to maintain the Mortgaged Property and the Personal Property in such order and condition. Except as otherwise provided in the Loan Documents, the Mortgagor shall not demolish or substantially alter the Mortgaged Property except as permitted herein, nor remove any of the Personal Property without the prior written consent of the Mortgagee, except where such Personal Property is replaced by appropriate substitutes, free of superior title, liens and claims, and of value at least equal to the value of the Personal Property removed. The Mortgagee or its authorized representative shall have the right to enter upon the Mortgaged Property from time to time at reasonable times to ascertain the Mortgagor's compliance with the terms of this Section 1.11 upon twenty-four (24) hours' prior notice to the Mortgagor, except in the case of an emergency.

1.12. Alienation.

(a) The Mortgagor agrees that if, except for the Permitted Transfers (as defined in subsection (c) below), the Mortgaged Property or the Collateral or any part thereof or interest therein is sold, assigned, transferred, conveyed or otherwise alienated by the Mortgagor (including, without limitation, any leasing of the Mortgaged Property), whether voluntarily or involuntarily or by operation of law, in either or in any case without the prior written consent of the Mortgagee, which may be granted or withheld by the Mortgagee in its sole discretion, the Mortgagee, at its option, may declare the Obligations to be forthwith due and payable. Any change in the legal or equitable title to the Mortgaged Property or the Collateral or any part thereof or interest therein or in the beneficial ownership of the Mortgaged Property or the Collateral or any part thereof or interest therein whether or not of record and whether or not for consideration, or any sale or sales or other disposition of any membership interest in the Mortgagor, shall be deemed to be the transfer of an interest in the Mortgaged Property and the Collateral.

(b) Except in the case of a Permitted Transfer, if ownership of the Mortgaged Property or the Collateral or any part thereof or interest therein becomes vested in a person or persons other than the Mortgagor, whether with or without the prior written approval of the Mortgagee, then the Mortgagee may,

without notice to the Mortgagor, waive a default if such occurs thereby and deal with such successor or successors in interest with reference to this Mortgage and the other Loan Documents in the same manner as with the Mortgagor, without in any way releasing, discharging or otherwise affecting the liability of the Mortgagor hereunder, or the Obligations. No sale of the Mortgaged Property or the Collateral or any part thereof or interest therein, no forbearance on the part of the Mortgagee, no extension of the time for the payment and performance of the Obligations, and no change in the terms thereof consented to by the Mortgagee shall in any way whatsoever operate to release, discharge, modify, change or affect the original liability of the Mortgagor herein, either in whole or in part, nor shall the full force and effect of this lien be altered thereby.

(c) “Permitted Transfers” shall mean the transfer of the Mortgaged Property, or the Collateral, or any part thereof or interest therein, or of any interests in the Mortgagor, (i) to any other Borrower, or any entity owned or controlled by any Borrower or under common control with any other Borrower, provided that if the whole or any part of the Mortgaged Property or Collateral is so transferred, such transferee shall execute a limited guaranty and mortgage and security agreement (or similar document) acceptable to the Mortgagee, or (ii) to any other entity, provided the Borrowers provide (x) cash collateral for the Obligations or (y) other substitute collateral for the Obligations approved by the Mortgagee (which approval shall not be unreasonably withheld if the value of such substitute collateral together with the other collateral for the Loan, is (1) sufficient to satisfy an eighty-five percent (85%) loan-to-value ratio for the then outstanding balance of the Loan and (2) satisfies the Mortgagee's environmental and title requirements) and the owner of such substitute collateral executes a limited guaranty and a mortgage (in the case of real estate collateral) and security agreement (or other applicable security document) acceptable to the Mortgagee prior to any such transfer (together, the “Substitute Security Documents”), provided that if such substitute collateral is real estate, and if the mortgage and security agreement is substantially the same as the Mortgage (except to such extent that revisions are necessary to comply with the requirements of the laws of the state in which such real estate is located), then it will be acceptable to the Mortgagee. Permitted transfers shall also include:

- (i) any Subsidiary of Mortgagor may be merged or consolidated with or into Mortgagor provided that Mortgagor shall be the continuing or surviving corporation) or with or into any other Borrower; provided, further, that such Borrower shall be the continuing or surviving entity;
- (ii) subject to Section 7.7(g) of the Credit Agreement, any Subsidiary of Mortgagor may Dispose of any or all of its assets (upon voluntary liquidation or otherwise) to Mortgagor; and
- (iii) subject to Section 7.5 of the Credit Agreement, the Mortgagor may make any Disposition of assets other than the Mortgaged Property.

1.13. Encumbrances. The Mortgagor will not create or suffer to be created any liens, Mortgages, security interests or other encumbrances of any kind whatsoever against the Mortgaged Property or the Collateral, except for this Mortgage, and the liens and encumbrances listed in Exhibit B, without the prior written consent of the Mortgagee, which consent may be given or withheld in the sole discretion of the Mortgagee.

1.14. Mortgagor's Notice. The Mortgagor shall provide to the Mortgagee immediate notice of each and every Event of Default and each and every default which after notice or lapse of time or both would constitute an Event of Default, which has occurred, as soon as the Mortgagor becomes aware of such Event of Default or default, and in such notice shall specify the nature and period of existence thereof and what action the Mortgagor has taken or proposes to take with respect thereto.



1.15. Certain Representations and Warranties. The Mortgagor represents and warrants to the Mortgagee as follows:

(a) There are no actions, suits, proceedings or investigations of any kind pending or threatened against the Mortgagor before any court, tribunal or administrative agency or board that, if adversely determined, could reasonably be expected to, either in any case or in the aggregate, materially adversely affect the properties, assets, financial condition or business of such entity or person or materially impair the right of such entity or person to carry on business substantially as now conducted by it, or result in any material liability not adequately covered by insurance, or for which adequate reserves are not maintained on the balance sheet of such entity or person, or which question the validity of any of the Loan Documents, any action taken or to be taken pursuant hereto or thereto, or any lien or security interest created or intended to be created pursuant hereto or thereto, or which will adversely affect the ability of the Mortgagor to pay and perform the Obligations in the manner contemplated by the Loan Documents.

(b) No event which after notice or lapse of time or both would constitute an Event of Default, has occurred and is continuing.

(c) The Mortgaged Property is not now damaged or injured as a result of any Casualty. Except as set forth in Exhibit B, the Mortgaged Property is not currently the subject of any taking for public use, and to the knowledge of the Mortgagor, no such taking is pending or contemplated.

1.16. Records and Accounts. The Mortgagor will (a) keep true and accurate records and books of account with respect to the Mortgaged Property in which full, true and correct entries will be made in accordance with generally accepted accounting principles and (b) maintain adequate accounts and reserves for all taxes (including income taxes), depreciation and amortization, contingencies, and other reserves with respect to the Mortgaged Property. The Mortgagor shall permit the Mortgagee at the Mortgagor's expense to examine such books of account of the Mortgagor (and to make copies thereof and extracts therefrom) and to discuss the affairs, finances and accounts of the Mortgagor with, and to be advised as to the same by, its officers, all at such reasonable times and intervals as the Mortgagee may reasonably request; provided that the Mortgagor shall only be obligated to pay the expenses associated with one such investigation during any twelve (12) month period, unless an Event of Default has occurred.

## ARTICLE II EVENTS OF DEFAULT

2.1. Events of Default. The occurrence of any one or more of the following shall be deemed an “Event of Default” under this Mortgage:

(a) any failure by the Borrowers to pay any principal due under the Note at maturity or upon acceleration of the Loan; or

(b) any failure by the Borrowers to pay any other sum to be paid to the Mortgagee under this Mortgage or any other Loan Document and such failure continues for five (5) days after written notice from the Mortgagee to the Borrowers that such amount was due in accordance with the terms of this Mortgage or any other Loan Document; or

(c) any breach by any Borrower, or failure of any Borrower to observe, any other covenant, term or condition contained in this Mortgage or in any other Loan Document, or in any certificate or side letter executed and delivered in connection with the Loan Documents, and such breach or failure continues for thirty (30) days after written notice thereof from the Mortgagee to the Mortgagor or if such breach or

failure cannot through the exercise of reasonable diligence be cured within said 30-day period, such additional period of time as may reasonably be required to cure such matter, not to exceed one hundred eighty (180) days, provided the Mortgagor or any other Borrower shall commence to cure such breach or failure with thirty (30) days and use diligent efforts to complete such cure (except for any breach or failure to observe any term or condition contained in Section 1.5, 1.7, 1.8 or 1.12 or any application of insurance proceeds by the Mortgagor in violation of the provisions of Section 1.8, each of which shall constitute an Event of Default without notice or any opportunity to cure); or

(d) title to the Mortgaged Property or the Collateral is or becomes unsatisfactory to the Mortgagee in its reasonable sole discretion by reason of any lien, charge, encumbrance, title condition or exception not listed in Exhibit B (including without limitation, any mechanic's, materialman's or similar statutory or common law lien or notice thereof), and such matter causing title to be or become unsatisfactory is not cured or removed (including by bonding) within twenty (20) days after notice thereof from the Mortgagee to the Mortgagor; or

(e) any material representation or warranty made or deemed to be made by or on behalf of any Borrower in any Loan Document, or in any report, certificate, financial statement, document or other instrument delivered by or on behalf of such party pursuant to or in connection with any Loan Document, shall prove to have been false or incorrect in any material respect upon the date when made or deemed to be made or repeated; or

(g) any dissolution, termination, partial or complete liquidation, merger or consolidation of any Borrower or any sale, transfer or other disposition of all or substantially all of the assets of any Borrower other than as permitted under the terms of this Mortgage; or

(h) any suit or proceeding shall be filed against any Borrower or the Mortgaged Property or the Personal Property which, if adversely determined, would have a materially adverse affect on the ability of any Borrower to perform their obligations under and by virtue of the Loan Documents and such suit or proceeding is not dismissed within thirty (30) days after notice thereof; or

(i) any of the Borrowers shall file a voluntary petition in bankruptcy under Chapter 11 of the United States Bankruptcy Code, or an order for relief shall be issued against any of the Borrowers in any involuntary petition in bankruptcy under Chapter 11 of the United States Bankruptcy Code and such order is not dismissed within ninety (90) days after the issuance thereof, or any of the Borrowers shall file any petition or answer seeking or acquiescing in any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief for itself under any present or future federal, state or other law or regulation relating to bankruptcy, insolvency or other relief of debtors, or any of the Borrowers shall seek or consent to or acquiesce in the appointment of any custodian, trustee, receiver, conservator or liquidator of any of the Borrowers, or of all or any substantial part of the property of any of the Borrowers, or any of the Borrowers shall make an assignment for the benefit of creditors, or any of the Borrowers shall give notice to any governmental authority or body of insolvency or pending insolvency or suspension of operation; or

(j) a court of competent jurisdiction shall enter any order, judgment or decree approving a petition filed against any of the Borrowers seeking any reorganization, arrangement, composition, readjustment, liquidation or similar relief under any present or future federal, state or other law or regulation relating to bankruptcy, insolvency or other relief for debtors, or appointing any custodian, trustee, receiver, conservator or liquidator of all or any substantial part of its property; or

(k) any uninsured final judgment in excess of \$10,000,000.00 shall be rendered against

any of the Borrowers and shall remain in force, undischarged, unsatisfied and unstayed, for more than sixty (60) days, whether or not consecutive, unless any of the Borrowers posts a bond for any such amount in excess of \$10,000,000.00; or

(l) any of the Loan Documents shall be cancelled, terminated, revoked or rescinded otherwise than in accordance with the terms thereof or with the express prior approval of the Mortgagee, or any action at law, suit in equity or other legal proceeding to cancel, revoke or rescind any of the Loan Documents shall be commenced by or on behalf of any of the Borrowers or any of the stockholders of any of the Borrowers or any court or any other governmental or regulatory authority or agency of competent jurisdiction shall make a determination that, or issue a judgment, order, decree or ruling to the effect that; any one or more of the Loan Documents is illegal, invalid or unenforceable in accordance with the terms thereof.

(m) A default occurs and continues beyond any applicable notice and cure periods under any other obligation from the Mortgagor or any other Borrower to the Mortgagee or any affiliate of the Mortgagee, including without limitation any hedging or swap obligations and the credit facility established pursuant to the Credit Agreement (as defined in the Note).

### ARTICLE III REMEDIES

3.1. Remedies. Upon the occurrence of an Event of Default, the Mortgagee may, at its option, and without notice to or demand upon the Mortgagor, take any one or more of the following actions:

- (a) declare any or all Obligations to be due and payable immediately;
- (b) enter onto the Mortgaged Property, in person or by agent or by court-appointed receiver, and take any and all steps that may be desirable in the Mortgagee's judgment to complete any unfinished construction or to manage and operate the Mortgaged Property, and the Mortgagee may collect and apply any rents, royalties, income or profits collected against the indebtedness secured by this Mortgage without in any way curing or waiving any default of the Mortgagor;
- (c) foreclose this Mortgage by any process permitted by applicable law, or bring a court action to enforce its provisions or payment of any of the indebtedness or obligations secured by this Mortgage;
- (d) cause any or all of the Mortgaged Property to be sold under the power of sale granted by this Mortgage in any manner permitted by applicable law; or
- (e) exercise any other right or remedy available under law or in equity.

3.2. Foreclosure Sales. For any sale under the power of sale granted by this Mortgage, the Mortgagee shall give all notices required by law, and upon the expiration of such time as is required by law, the Mortgagee may sell the Mortgaged Property upon any terms and conditions permitted by applicable law. The Mortgagee may postpone any sale by public announcement at the time and place noticed for the sale. If the Mortgaged Property consists of several lots or parcels, the Mortgagee in its discretion may sell such lots or parcels separately in any order of sale or may elect to sell all of them as an entirety, and the Mortgagor hereby waives its rights, if any, to require that said lots or parcels be sold separately. Any person, including the Mortgagee and the Mortgagor, may purchase at any such sale.

3.3. Proceeds of Sales. The proceeds of any sale under this Mortgage shall be applied in the

following manner

(a) First, to payment of the costs and expenses of the sale, including but not limited to the Mortgagee's reasonable fees, legal fees and disbursements, title charges and transfer taxes, and payment of all expenses, liabilities and advances of the Mortgagee, together with interest at the Default Rate on all advances made by the Mortgagee;

(b) Second, to payment of all sums expended by the Mortgagee under the terms of this Mortgage and not yet repaid, together with interest on such sums at the Default Rate;

(c) Third, to payment of the Obligations, including interest on the unpaid principal and interest due under the Note from the due date thereof, in any order that the Mortgagee chooses; and

(d) Fourth, the remainder, if any, to the person or persons legally entitled thereto as directed by a court of competent jurisdiction.

3.4. Method of Sales. The Mortgagor waives all rights to direct the order in which any of the Mortgaged Property or the Collateral will be sold in the event of any sale under this Mortgage, and also any right to have any of the Mortgaged Property or the Collateral marshalled upon any sale.

3.5. Receiver. Following an Event of Default, the Mortgagee may require the appointment of a receiver for the Mortgaged Property or for the collection of rents therefrom, either pending a foreclosure sale or otherwise, irrespective of whether or not the Mortgaged Property is adequate security for the Obligations secured hereby, and the Mortgagor hereby consents to such appointment.

3.6. Cumulative Remedies. All remedies contained in this Mortgage are cumulative, and the Mortgagee shall have all other remedies provided by law or in any other agreement securing the Note. No delay or failure by the Mortgagee to exercise any right or remedy under this Mortgage will be construed to be a waiver of that right or remedy or of any default by the Mortgagor. The Mortgagee may exercise any one or more of its rights and remedies at its option without regard to the adequacy of its security.

3.7. Release of Parties or Collateral. Without affecting the liability of the Mortgagor or any other person (except any person expressly released in writing) for payment or performance of the Obligations, and without affecting the rights of the Mortgagee with respect to any security not expressly released in writing, the Mortgagee may, at any time and from time to time, either before or after the maturity of the Note, and without notice or consent:

(a) release any person liable for payment of all or any part of the Obligations;

(b) make any agreement extending the time or otherwise altering the terms of payment of all or any part of the Obligations, or modifying or waiving any Obligation hereunder, or subordinating, modifying or otherwise dealing with the lien or charge hereof,

(c) exercise or refrain from exercising or waive any right that the Mortgagee may have;

(d) accept additional security of any kind; or

(e) release or otherwise deal with any property, real or personal, securing any indebtedness, including all or any part of the Mortgaged Property or the Collateral.

3.8. Payment of Expenses. The Mortgagor shall pay all costs and expenses, including reasonable attorneys' and paralegals' fees, incurred by the Mortgagee in enforcing its rights or any appeal of its rights

under the Note, under this Mortgage, or under any other instrument securing the Note, in defending or upholding the lien of this Mortgage or the rights of the Mortgagee hereunder, whether in an action, suit or otherwise, including but not limited to proceedings in bankruptcy court. Any such sums not paid by the Mortgagor to the Mortgagee upon demand shall bear interest at the Default Rate, and any such sums and the interest thereon shall be a lien on the Mortgaged Property and the Collateral prior to any right or title to, interest in or claim upon the Mortgaged Property and the Collateral attaching or accruing subsequent to the lien of this Mortgage and shall be secured by this Mortgage.

3.9. Uniform Commercial Code. With respect to the Collateral, upon and after any default or Event of Default, the Mortgagee shall have all of the rights and remedies of a secured party under the Uniform Commercial Code as then in effect in the Commonwealth of Massachusetts, to the extent applicable.

ARTICLE IV  
MISCELLANEOUS

4.1. Severability. In the event any one or more of the provisions contained in this Mortgage or in the Note shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall, at the option of the Mortgagee, not affect any other provision of this Mortgage, but this Mortgage shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein or therein. The parties shall endeavor in good faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

4.2. Notices. Each notice, demand, election or request provided for or permitted to be given pursuant to this Agreement (hereinafter in this Section 4.2 referred to as "Notice") must be in writing and shall be deemed to have been properly given or served by personal delivery or by sending same by overnight courier or by depositing same in the United States Mail, postpaid and registered or certified, return receipt requested, and addressed as follows:

If to the Mortgagee:

Citizens Bank, N.A.  
28 State Street  
Boston, Massachusetts 02109  
Attn: William E. Lingard, Senior Vice President  
Phone: (617) 994-7114  
Fax: (617) 723-9371

with a copy to:

Brian F. Plunkett, Esq.  
Hackett Feinberg P.C.  
155 Federal Street  
Boston, Massachusetts 02110  
Phone: (617) 422-0200  
Fax: (617) 422-0383

If to the Mortgagor to:

Kadant Inc.  
One Technology Park Drive

Westford, MA 01886  
Attn: Daniel J. Walsh, Treasurer

With a copy to:

Stacy Krause  
Vice President, General Counsel and Secretary  
Kadant Inc.  
One Technology Park Drive  
Westford, MA 01886

Each Notice shall be effective upon being personally delivered or upon being sent by overnight courier or upon being deposited in the United States Mail as aforesaid. The time period in which a response to such Notice must be given or any action taken with respect thereto (if any), however, shall commence to run from the date of receipt if personally delivered or sent by overnight courier, or if so deposited in the United States Mail, the earlier of three (3) Business Days following such deposit or the date of receipt as disclosed on the return receipt. Rejection or other refusal to accept or the inability to deliver because of changed address for which no Notice was given shall be deemed to be receipt of the Notice sent. By giving at least ten (10) days prior Notice thereof sent in accordance herewith, the Mortgagor or the Mortgagee shall have the right from time to time and at any time to change their respective addresses and each shall have the right to specify as its address any other address within the United States of America.

4.3. Waiver of Notice. Whenever in this Mortgage the giving of notice is required, the giving of such notice may be waived in writing by the person or persons entitled to receive such notice.

4.4. Successors. All of the grants, covenants, terms, provisions and conditions contained herein shall run with the land and shall apply to, bind and inure to the benefit of the successors and assigns of the Mortgagor and the successors and assigns of the Mortgagee.

4.5. Statutory Provisions. All covenants and conditions contained herein shall be construed as affording to the Mortgagee rights additional to, and separate from, the rights conferred by the Mortgagor's covenants made hereby. This Mortgage is upon the STATUTORY CONDITION, and for any breach of said STATUTORY CONDITION or of any other covenants or conditions contained herein, the holder shall have all of the rights and remedies, provided herein and by law, including without limitation the STATUTORY POWER OF SALE. The Mortgagor represents that it is not a trustee and that the Mortgaged Property is not used by the Mortgagor exclusively for residential purposes.

4.6. Governing Law. This Mortgage shall be governed by the laws of the Commonwealth of Massachusetts without regard to conflict of laws provisions therein.

[Remainder of page left intentionally blank.]

Executed as a sealed instrument as of the date first above written.

**MORTGAGOR:**

KADANT INC.

/s/ Astrid Tsang

Witness

By: /s/ Daniel J. Walsh

Name: Daniel J. Walsh

Title: Treasurer

COMMONWEALTH OF MASSACHUSETTS

Middlesex, ss.

On this 6th day of July, 2018, before me, the undersigned notary public, personally appeared Daniel J. Walsh, as Treasurer of Kadant Inc., and proved to me through satisfactory evidence of identification, which was my personal knowledge of the signatory, to be the person whose name is signed on the preceding or attached document, and acknowledged to me that she/he signed it voluntarily for its stated purpose as the free act and deed of Kadant Inc.

/s/ Stacy D. Krause

Notary Public

My commission expires: January 17, 2025

[Notary Seal]

*Mortgage and Security Agreement (MA)*  
*Signature Page*

---

EXHIBIT A

A certain parcel of land in said Auburn, bounded and described as follows:

BEGINNING at a stone bound in the northerly line of a proposed street being the southwesterly corner of the premises herein described;

THENCE N. 6° 53' 30" E. five hundred seventy-nine (579.00) feet to a stone bound;

THENCE N. 46° 53' 30" E. by land now or formerly of Hicks, two hundred sixty-five (265.00) feet to a stone bound;

THENCE S. 47° 53' 00" E., two hundred forty-nine and thirty-nine hundredths (249.39) feet to a stone bound;

THENCE S. 41 ° 30' 30" E. by land now or formerly of Keller, ninety-six and eighty-two hundredths (96.82) feet to stone bound;

THENCE S. 23° 42' 15" E. by said Keller land, fifty-five and fifty-three hundredths (55.53) to a stone bound;

THENCE S. 7° 37' 15"E., One hundred fifty-nine and ninety-two hundredths 0%94 feet to a stone bound;

THENCE N, 74° 37' 45" E., seventy-five and fourteen hundredths (75.14) feet to a stone bound;

THENCE S. 19° 22' 45" W., 'by land of Bayer & Mingolla, two hundred nineteen and seven hundredths (219.07) feet to a stone bound;

THENCE S. 6° '53' 30 " W., one hundred eighty-six '(186:00) feet to a stone bound in said northerly line of said proposed street;

THENCE N. 83° 06' 30" W. along said northerly line of said proposed street, five hundred thirty-seven and thirty-one hundredths (537,31) feet to the point of beginning.

Said parcel contains approximately 8 acres of land.

Together with the rights and easements as contained in grant from Auburn Development Corp. dated April 25, 1958 and recorded with Worcester District Deeds, Book 3944, Page464.

*Mortgage and Security Agreement (MA)*  
*Exhibit A*

---



EXHIBIT B

(Permitted Encumbrances)

Those matters set forth in Schedule B, Part I of the Mortgagee's Policy of Title Insurance issued by Commonwealth Land Title Insurance Company to the Mortgagor with respect to this Mortgage.

MORTGAGE

THIS MORTGAGE (this "Mortgage"), dated as of the 6th day of July, 2018 is made by Kadant Johnson LLC, a Delaware limited liability company ("Mortgagor"), having a place of business c/o Kadant Inc., One Technology Park Drive, Westford, MA 01886 in favor of Citizens Bank, N.A. (the "Mortgagee"), having an office at 28 State Street, Boston, MA 02109.

## RECITALS

The Mortgagor, Kadant Inc., a Delaware corporation, having an address at One Technology Park Drive, Westford, MA 01886 ("Kadant"), Kadant Black Clawson LLC, a Delaware limited liability company, having an address c/o Kadant, Inc., One Technology Park Drive, Westford, MA 01886 ("Kadant Black") and Verus Lebanon, LLC, a Delaware limited liability company having an address c/o Kadant Inc., One Technology Park Drive, Westford, MA 01886 ("Verus", and collectively with Mortgagor, Kadant and Kadant Black, the "Borrowers") has executed and delivered to the Mortgagee a certain Promissory Note of even date herewith in the original principal amount of \$21,000,000.00 (together with all amendments, restatements, modifications, replacements, renewals and extensions thereof, the "Note").

This Mortgage, the Note, and the other Mortgages (as defined in the Note) together with all other documents or instruments previously, now or hereafter executed by any of the Borrowers in favor of the Mortgagee in connection with the Loan (as defined below) or entered into by any of the Borrowers in connection with the Loan, including any and all extensions, renewals, amendments, restatements, modifications and supplements thereof, are collectively referred to herein as the "Loan Documents". Capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Note.

GRANT

NOW, THEREFORE, in consideration of the Mortgagee's making the loan that is evidenced by the Note (the "Loan"), and in order to secure the payment of all amounts due and payable under the Note or any other Loan Document (the "Obligations"), the Mortgagor does hereby mortgage and warrant to the Mortgagee, its successors and assigns, the following property, rights and interests forever:

(1) the land located at 705 and 805 Wood Street, Three Rivers, St. Joseph County, Michigan described in Exhibit A attached hereto (the "Land"), together with all buildings and improvements now or hereafter situated thereon owned by the Mortgagor (collectively "Improvements"); all easements, rights, privileges and appurtenances thereto; and all leases, rents, issues and profits therefrom (collectively, the "Mortgaged Property");

(2) all fixtures, fittings, appliances, apparatus, equipment, machinery, and all building materials, supplies and equipment owned by the Mortgagor now or hereafter delivered to the Mortgaged Property and replacements thereof owned by the Mortgagor now or at any time hereafter affixed to, attached to, placed upon, or used in any way in connection with the complete and comfortable use, enjoyment, occupancy or operation of the improvements on the Mortgaged Property as a commercial building, but excluding all trade fixtures, furniture, supplies, inventory, and equipment used by the Mortgagor in connection with its business (collectively, the "Personal Property");

(3) all contracts, agreements and warranties, including rights to return of deposits, prepaid premiums or other payments, relating to the construction, renovation, development,

redevelopment, maintenance, repair, management, operation, use or occupancy of the Mortgaged Property, but not relating to the Mortgagor's business;

(4) all of the Mortgagor's right, title and interest in and to all proceeds of the conversion, voluntary or involuntary, of any of the Mortgaged Property or Personal Property into cash or liquidated claims, including, without limitation, proceeds of insurance and condemnation awards;

(5) all of the Mortgagor's right, title and interest in and to all licenses, and permits for the development, construction, use or occupancy of the Mortgaged Property as a commercial building, but excluding all such licenses or permits for the operation of the Mortgagor's other business at the Mortgaged Property; and

(6) all building books and records of the Mortgagor wheresoever situated, directly or indirectly related to the operation, maintenance, and ownership of the Mortgaged Property as real estate, whether or not kept in the normal course of Mortgagor's business, but excluding any such books and records related solely to the Mortgagor's other business at the Mortgaged Property.

The Personal Property and the items described in clauses (3) through (6) above are hereinafter collectively referred to as the "Collateral."

This Mortgage shall constitute a "security agreement" within the meaning of the Uniform Commercial Code with respect to the Collateral covered hereby. The Mortgagor hereby grants the Mortgagee a security interest in all of the Collateral, and a security interest shall attach thereto and shall be vested directly in the Mortgagee to secure the Obligations.

In addition to the other Events of Default set forth in Article II below, any Event of Default under the Loan, any other loans, hedging or swap contracts or other bank product obligations of the Mortgagor to Mortgagee or an affiliate of Mortgagee, shall constitute an Event of Default under the Loan and this Agreement, and the Mortgagee, in its sole discretion may exercise any and/or all of its remedies under the Loan Documents, including without limitation, declare the Loan to be immediately due and payable.

#### ASSIGNMENT OF LEASES AND RENTS

As additional security for the Obligations and performance of the covenants and agreements set forth in this Mortgage, Mortgagor hereby assigns to Mortgagee, pursuant to Michigan Compiled Laws §565.81, et. seq., and Michigan Compiled Laws §554.231, et. seq., all Mortgagor's right, title, and interest in and to leases, licenses, and other occupancy agreements of whatever name or description heretofore or hereafter entered into with respect to the Mortgaged Property or any part thereof, together with all options therefor, all extensions, modifications, and renewals thereof, and any guaranties of the tenant's obligations thereunder, and including any cash or security deposits thereunder to secure performance by tenants of their obligations (collectively, the "Leases") and all Mortgagor's right, title, and interest in and to the rents, royalties, issues, profits, revenue, income and proceeds of the Mortgaged Property, whether now due, past due or to become due, including all prepaid rents and security deposits (collectively, the "Rents"), and confers upon Mortgagee the right to collect such Rents with or without taking possession of the Mortgaged Property. If any foreclosure sale results in a deficiency, this assignment of rents shall continue as security during the foreclosure redemption period. In the event that anyone establishes and exercises any right to develop, bore for or mine for any water, gas, oil or mineral on or under the surface of the Mortgaged Property, any sums that may become due and payable to Mortgagor as bonus or royalty payments, and any damages or other compensation payable to Mortgagor in connection with the exercise of any such rights, shall also be considered Rents assigned under this Paragraph.

Notwithstanding the provisions of section, Mortgagee hereby confers upon Mortgagor a license (“License”) to collect and retain the Rents as they become due and payable, so long as no Event of Default, as defined in Article II, shall exist. If an Event of Default has occurred, Mortgagee shall have the right, which it may choose to exercise in its sole discretion, to terminate this License and without regard to the adequacy of the security for the Obligations. Mortgagee agrees to provide prompt notice of such termination to Mortgagor.

ARTICLE I  
MORTGAGOR'S COVENANTS

The Mortgagor covenants and agrees as follows:

1.1. Title. The Mortgagor warrants (a) that it has good and marketable title in fee simple to the Mortgaged Property subject to no lien, charge or encumbrance except as listed on Exhibit B attached hereto; (b) that it owns the Personal Property free and clear of all liens and claims; (c) that this Mortgage is and will remain a valid and enforceable first lien on the Mortgaged Property and the Collateral subject only to the exceptions referred to above and such other exceptions as may be approved in writing by the Mortgagee; (d) that it has full power and lawful authority to mortgage the Mortgaged Property and grant a security interest in the Collateral in the manner and form herein done or intended hereafter to be done; and (e) that it will preserve such title, will forever warrant and defend the same to the Mortgagee and will forever warrant and, subject to the matters listed in Exhibit B, defend the validity and priority of the lien hereof against the claims of all persons and parties whomsoever.

1.2. Further Assurances. The Mortgagor will, at the sole cost of the Mortgagor, and without expense to the Mortgagee, do, execute, acknowledge and deliver all and every such further acts, deeds, conveyances, mortgages, assignments, notices of assignments, transfers and assurances as the Mortgagee shall from time to time require, for the better assuring, conveying, assigning, transferring and confirming unto the Mortgagee the property and rights hereby conveyed or assigned or intended now or hereafter so to be, or which the Mortgagor may be or may hereafter become bound to convey or assign to the Mortgagee, or for carrying out the intention or facilitating the performance of the terms of this Mortgage, or for filing, registering or recording this Mortgage and, on demand, will execute and deliver, and hereby authorizes the Mortgagee to execute in the name of the Mortgagor to the extent it may lawfully do so, one or more financing statements, chattel mortgages or comparable security instruments, to evidence more effectively the lien hereof upon the Mortgaged Property or the Collateral.

1.3. Compliance with Laws. The Mortgagor, or any successor to the Mortgagor permitted under Section 1.12(c) below, will, so long as it is owner of the Mortgaged Property or the Collateral do all things necessary to preserve and keep in full force and effect its existence, franchises, rights and privileges as a limited liability company under the laws of the state of such entity's formation and will comply with all regulations, rules, ordinances, statutes, orders and decrees of any governmental authority or court applicable to the Mortgagor or to the Mortgaged Property or the Collateral or any part thereof.

1.4. Additions to Mortgaged Property. The Mortgagor shall not construct or erect any additional improvements, buildings or structures nor make any substantial additions to or alterations of the improvements, buildings, and structures now or hereafter located on the Mortgaged Property, nor shall the Mortgagor permit any such actions by any other person or entity, which (a) do not comply with all applicable federal, state and local zoning and land use laws and regulations, or (b) cause a material reduction in the value of the Mortgaged Property, without the prior written consent of the Mortgagee. All right, title and

interest of the Mortgagor in and to all extensions, improvements, betterments, renewals, substitutions for and replacements of, and all additions and appurtenances to, the Mortgaged Property or the Collateral, hereafter acquired by, or released to, the Mortgagor or constructed, assembled or placed by the Mortgagor on the Mortgaged Property, and all conversions of the security constituted thereby, immediately upon such acquisition, release, construction, assembling, placement or conversion, as the case may be, and in each such case, without any further mortgage, conveyance, assignment or other act by the Mortgagor, shall become subject to the lien of this Mortgage as fully and completely, and with the same effect, as though now owned by the Mortgagor and specifically described in the grant clause hereof, and at any and all times the Mortgagor will execute and deliver to the Mortgagee any and all such further assurances, mortgages, conveyances or assignments thereof as the Mortgagee may reasonably require for the purpose of expressly and specifically subjecting the same to the lien of this Mortgage.

1.5. Payment of Taxes and Liens.

(a) The Mortgagor, from time to time when the same shall become due, will pay and discharge, or cause to be paid and discharged, all taxes of every kind and nature (including, without limitation, real and personal property taxes and income, franchise, withholding, profits and gross receipts taxes), all general and special assessments, levies, permits, inspection and license fees, all water and sewer rents and charges, and all other public charges whether of a like or different nature, imposed upon or assessed against the Mortgaged Property or the Collateral or any part thereof or upon the revenues, rents, issues, income or profits of the Mortgaged Property or the Collateral or arising in respect of the occupancy, use or possession thereof. Upon demand by the Mortgagee, the Mortgagor shall deliver to the Mortgagee receipts evidencing the payment of all such taxes, assessments, levies, fees, rents and other public charges imposed upon or assessed against it or the Mortgaged Property or the Collateral or the revenues, rents, issues, income or profits thereof

(b) The Mortgagor will pay, or cause to be paid, from time to time when the same shall become due, all lawful claims and demands of mechanics, materialmen, laborers, and others which, if unpaid, might result in, or permit the creation of, a lien on the Mortgaged Property or the Collateral or any part thereof, or on the revenues, rents, issues, income or profits arising therefrom and in general will do or cause to be done everything necessary so that the lien hereof shall be fully preserved, at the sole cost of the Mortgagor, without expense to the Mortgagee.

(c) Nothing in this Section 1.5 shall require the payment or discharge of any obligation imposed upon the Mortgagor by this Section so long as the Mortgagor shall in good faith and at its own expense contest the same or the validity thereof by appropriate legal proceedings which shall operate to prevent the collection thereof or other realization thereon and the sale or forfeiture of the Mortgaged Property or the Collateral or any part thereof to satisfy the same; provided that during such contest the Mortgagor shall, at the option of the Mortgagee, provide security satisfactory to the Mortgagee, assuring the discharge of the Mortgagor's obligation hereunder and of any additional charge, penalty or expense arising from or incurred as a result of such contest; and provided further, that if at any time payment of any obligation imposed upon the Mortgagor by subsection (a) hereof shall become necessary to prevent the delivery of a tax deed conveying the Mortgaged Property or the Collateral or any portion thereof because of non-payment, then Mortgagor shall pay the same in sufficient time to prevent the delivery of such tax deed.

1.6. Payment of Mortgagee's Taxes. The Mortgagor will pay all taxes (except income taxes) imposed on the Mortgagee by reason of its ownership of this Mortgage.

1.7. Insurance.

(a) The Mortgagor will cause the Mortgaged Property and the Personal Property now and hereafter located on the Mortgaged Property to be kept insured, in such amounts, with such companies, for such periods and on such other terms as the Mortgagee may reasonably require and with such coverages, endorsements, deductibles, and expiration dates as are acceptable to the Mortgagee, providing the following types of insurance covering the Mortgaged Property and Personal Property:

(1) "All Risk" property insurance (including broad form flood, broad form earthquake and comprehensive boiler and machinery coverages) on the Mortgaged Property and the Personal Property in an amount not less than one hundred percent (100%) of the full replacement cost of any Improvements and Personal Property, with deductibles not to exceed \$100,000 for any one occurrence, with a replacement cost coverage endorsement, an agreed amount endorsement, and, if requested by the Mortgagee, a contingent liability from operation of building laws endorsement, a demolition cost endorsement and an increased cost of construction endorsement in such amounts as the Mortgagee may require. Full replacement cost as used herein means the cost of replacing the Improvements (exclusive of the cost of excavations, foundations and footings below the lowest basement floor) and the Personal Property without deduction for physical depreciation thereof;

(2) During the course of any construction or repair of any Improvements, the insurance required by clause (1) above shall be written on a builder's risk, completed value, non-reporting form, meeting all of the terms required by clause (1) above, covering the total value of work performed, material, equipment, machinery and supplies furnished, existing structures, and temporary structures being erected on or near the Mortgaged Property, including coverage against collapse and damage during transit or while being stored off-site, and containing a soft costs (including loss of rents) coverage endorsement and permission to occupy endorsement;

(3) With respect to any portion of any Mortgaged Property that is located in a Flood Zone within a community participating in the National Flood Insurance Program (the "Flood Program") created by the U.S. Congress pursuant to the National Flood Insurance Act of 1968, the Flood Disaster Protection Act of 1973, the National Flood Insurance Reform Act of 1994 and the Flood Insurance Reform Act of 2004, in each case as amended from time to time, and any successor statutes (collectively, the "Flood Insurance Laws"), (A) such flood insurance coverage under policies issued pursuant to and in compliance with the Flood Insurance Laws ("Flood Insurance Policies") in an amount equal to the maximum limit of coverage available for such Mortgaged Property under Flood Insurance Laws, subject only to deductibles consistent in scope and amount with those permitted under the Flood Program and (B) such additional coverage as required by the Mortgagee, if any, under supplemental private insurance policies in an amount so required by the Mortgagee, which when added to the coverage provided under the Flood Insurance Policies required under the foregoing clause (A), is not less than 100% of insurable replacement cost of the improvements on such Mortgaged Property;

(4) Commercial general liability insurance against claims for personal injury (to include, without limitation, bodily injury and personal and advertising injury) and property damage liability, all on an occurrence basis, if available, with such coverages as the Mortgagee may request (including, without limitation, contractual liability coverage, completed operations coverage for a period of two (2) years following completion of construction of any Improvements on the Mortgaged Property, and coverages equivalent to an ISO broad form endorsement), with a general aggregate limit of not less than \$5,000,000.00, and a combined single "per occurrence" limit of not less than \$1,000,000.00 for bodily injury, property damage and medical payments;

(5) Employer's liability insurance;

(6) Workmen's compensation insurance for all employees of the Mortgagor engaged on or with respect to the Mortgaged Property; and

(7) Such additional types and amounts of coverage in such form and in such amounts as may from time to time be requested by the Mortgagee which at the time are customarily (i) maintained by developers or owners of like properties, or (ii) required by sophisticated institutional lenders in like transactions.

(b) The insurance provided for in clause (4) above shall name the Mortgagee as an additional insured and shall contain a cross liability/severability endorsement. The insurance provided for in clauses (1), (2), and (3) above shall name the Mortgagee as mortgagee and loss payee. The Mortgagor shall deliver certificates of insurance and, if requested by the Mortgagee, duplicate originals or certified copies of all such policies to the Mortgagee together with receipts evidencing payment of all premiums for such policies, and the Mortgagor shall promptly furnish to the Mortgagee all renewal notices. All insurance policies shall provide that such insurance shall not be cancelled or modified without at least thirty (30) days' prior written notice to the Mortgagee.

(c) The Mortgagor shall not permit any condition to exist which would wholly or partially invalidate such insurance policies and will make all payments of insurance premiums for which provision has not been made herein, and in default thereof, the Mortgagee may pay the same and the Mortgagor shall reimburse the Mortgagee therefor on demand. The Mortgagee shall not be liable by the fact of approving, disapproving, accepting, preventing, obtaining or failing to obtain any such insurance, incur any liability for the form or legal sufficiency of insurance policies, solvency of insurers, payment of losses or otherwise in connection with such insurance; and the Mortgagor hereby expressly assumes full responsibility therefor and liability, if any, thereunder.

(d) The Mortgagor shall not obtain separate insurance concurrent in form or contributing in the event of loss with that required to be maintained under this Section 1.7, unless the Mortgagee is included thereon as a named insured with loss payable to the Mortgagee under a standard mortgagee endorsement. The Mortgagor shall immediately notify the Mortgagee whenever any such separate insurance is obtained, specifying the insurer thereunder and providing copies of the insurance policies evidencing the same.

(e) Notwithstanding the foregoing, upon thirty (30) days prior notice to the Mortgagee, the Mortgagor may self-insure.

#### 1.8. Casualty.

(a) In the event of any damage or destruction, with a repair or replacement cost of more than \$250,000 in the aggregate, to the Mortgaged Property or the other Collateral by reason of fire or other hazard or casualty (collectively, a "Casualty"), the Mortgagor shall give immediate written notice thereof to the Mortgagee and proceed with reasonable diligence, in full compliance with all applicable laws and regulations ("Legal Requirements"), to repair, restore, rebuild or replace the affected property (collectively, the "Repair Work"). If pursuant to paragraph (c) below, the Mortgagee applies insurance proceeds to the Obligations and does not release the same to the Mortgagor, the obligation of the Mortgagor to complete the Repair Work shall be limited to taking all actions reasonably required to make the Mortgaged Property safe and in compliance with all Legal Requirements and to restore the undamaged portion of the Mortgaged Property to an economically functional unit to the extent that it is reasonably possible to do so.

(b) All insurance claims shall be adjusted by the Mortgagor at the Mortgagor's sole cost and expense, except that the adjustment of all insurance claims of more than \$250,000 shall be subject to the Mortgagee's prior written approval, which shall not be unreasonably withheld; provided that if any Event of Default (as defined below) exists, the Mortgagee shall have the right to adjust and compromise such claims without the approval of the Mortgagor.

(c) All proceeds of insurance shall be paid to the Mortgagor and the Mortgagee and, at the Mortgagee's option, be applied to the Obligations or released, in whole or in part, to pay for the actual cost of repair, restoration, rebuilding or replacement (collectively, the "Repair Costs"). Notwithstanding the foregoing, if the Repair Costs do not exceed \$250,000, the Mortgagee shall release so much of the insurance proceeds as may be required to pay for the Repair Costs in accordance with the provisions of paragraph (d) below.

(d) If the Mortgagee elects, or is required to, release insurance proceeds, then the Mortgagee may impose reasonable conditions on such release which shall include, but not be limited to, the following:

- (i) prior written approval by the Mortgagee, which approval shall not be unreasonably withheld or delayed, of plans, specifications, cost estimates, contracts and bonds for the restoration or repair of the loss or damage;
- (ii) waivers of lien, architect's certificates, contractor's sworn statements and other evidence of costs, payments and completion as the Mortgagee may in good faith require;
- (iii) if the Repair Costs do not exceed \$250,000, the funds to pay therefor shall be released to the Mortgagor; otherwise, funds shall be released upon final completion of the Repair Work, unless the Mortgagor requests earlier funding, in which event partial monthly disbursements equal to 95% of the value of the work completed (or, if the applicable contract is on a cost plus basis, then 95% of the costs of the work completed if such cost is less than the value thereof) shall be made prior to final completion of the repair, restoration or replacement and the balance, of the disbursements shall be made upon full completion and the receipt by the Mortgagee of satisfactory evidence of payment and release of all liens;
- (iv) determination in good faith by the Mortgagee that the undisbursed balance of such proceeds on deposit with the Mortgagee, together with additional funds deposited for the purpose, shall be sufficient to pay for the remaining Repair Costs, free and clear of all liens and claims for lien;
- (v) all work shall comply with Legal Requirements and shall be of a quality that is consistent with or better than the original construction of the Mortgaged Property; and
- (vi) the absence of any Event of Default.

1.9. Taking. If there is any taking for public use of the Mortgaged Property or of any tangible Collateral, then any awards in excess of \$250,000 on account thereof (a) shall be paid to the Mortgagee and shall be applied to the Obligations, and the excess, if any, shall be released to the Mortgagor, or (b) at the



Mortgagee's discretion, shall be released to the Mortgagor. If the award is \$250,000 or less, such amount shall be paid to the Mortgagor. If, in the case of a partial taking or a temporary taking, in the good faith judgment of the Mortgagee the effect of such taking is such that there has not been a material and adverse impairment of the viability of the Mortgaged Property or the value of the Collateral, so long as no Event of Default exists, the Mortgagee shall release awards on account of such taking to the Mortgagor if such awards are sufficient (or amounts sufficient are otherwise made available) to repair or restore the Mortgaged Property to a condition reasonably satisfactory to the Mortgagee and such partial or temporary taking shall not be deemed to violate the provisions of Section 1.12.

1.10. Mortgagee's Right to Satisfy Mortgagor's Obligations. If the Mortgagor shall fail to perform any of the covenants contained herein the Mortgagee may perform the same on its behalf, and any sums advanced by the Mortgagee in performing any of the Mortgagor's covenants shall be secured by this Mortgage. The Mortgagor will repay on demand all sums so advanced on its behalf with interest at the Prime Rate as defined under the Note (the "Default Rate"). The exercise of any right by the Mortgagee under this Section 1.10 shall not prevent any default by the Mortgagor in the observance of any covenant contained in this Mortgage from constituting an Event of Default.

1.11. Maintenance. The Mortgagor will not abandon or leave unprotected the whole or any part of the Mortgaged Property or the Collateral and, except as provided in the Loan Documents, will not commit any waste on the Mortgaged Property or make any change in the use of the Mortgaged Property which will in any way create any unreasonable risk of fire or other hazard. The Mortgagor will, at all times, maintain the Mortgaged Property and the Personal Property in good operating order and condition, and will promptly make from time to time all repairs, renewals, replacements, additions and improvements reasonably necessary to maintain the Mortgaged Property and the Personal Property in such order and condition. Except as otherwise provided in the Loan Documents, the Mortgagor shall not demolish or substantially alter the Mortgaged Property except as permitted herein, nor remove any of the Personal Property without the prior written consent of the Mortgagee, except where such Personal Property is replaced by appropriate substitutes, free of superior title, liens and claims, and of value at least equal to the value of the Personal Property removed. The Mortgagee or its authorized representative shall have the right to enter upon the Mortgaged Property from time to time at reasonable times to ascertain the Mortgagor's compliance with the terms of this Section 1.11 upon twenty-four (24) hours' prior notice to the Mortgagor, except in the case of an emergency.

1.12. Alienation.

(a) The Mortgagor agrees that if, except for the Permitted Transfers (as defined in subsection (c) below), the Mortgaged Property or the Collateral or any part thereof or interest therein is sold, assigned, transferred, conveyed or otherwise alienated by the Mortgagor (including, without limitation, any leasing of the Mortgaged Property), whether voluntarily or involuntarily or by operation of law, in either or in any case without the prior written consent of the Mortgagee, which may be granted or withheld by the Mortgagee in its sole discretion, the Mortgagee, at its option, may declare the Obligations to be forthwith due and payable. Any change in the legal or equitable title to the Mortgaged Property or the Collateral or any part thereof or interest therein or in the beneficial ownership of the Mortgaged Property or the Collateral or any part thereof or interest therein whether or not of record and whether or not for consideration, or any sale or sales or other disposition of any membership interest in the Mortgagor, shall be deemed to be the transfer of an interest in the Mortgaged Property and the Collateral.

(b) Except in the case of a Permitted Transfer, if ownership of the Mortgaged Property or the Collateral or any part thereof or interest therein becomes vested in a person or persons other than the Mortgagor, whether with or without the prior written approval of the Mortgagee, then the Mortgagee may,

without notice to the Mortgagor, waive a default if such occurs thereby and deal with such successor or successors in interest with reference to this Mortgage and the other Loan Documents in the same manner as with the Mortgagor, without in any way releasing, discharging or otherwise affecting the liability of the Mortgagor hereunder, or the Obligations. No sale of the Mortgaged Property or the Collateral or any part thereof or interest therein, no forbearance on the part of the Mortgagee, no extension of the time for the payment and performance of the Obligations, and no change in the terms thereof consented to by the Mortgagee shall in any way whatsoever operate to release, discharge, modify, change or affect the original liability of the Mortgagor herein, either in whole or in part, nor shall the full force and effect of this lien be altered thereby.

(c) “Permitted Transfers” shall mean the transfer of the Mortgaged Property, or the Collateral, or any part thereof or interest therein, or of any interests in the Mortgagor, (i) to any other Borrower, or any entity owned or controlled by any Borrower or under common control with any other Borrower, provided that if the whole or any part of the Mortgaged Property or Collateral is so transferred, such transferee shall execute a limited guaranty and mortgage and security agreement (or similar document) acceptable to the Mortgagee, or (ii) to any other entity, provided the Borrowers provide (x) cash collateral for the Obligations or (y) other substitute collateral for the Obligations approved by the Mortgagee (which approval shall not be unreasonably withheld if the value of such substitute collateral together with the other collateral for the Loan, is (1) sufficient to satisfy an eighty-five percent (85%) loan-to-value ratio for the then outstanding balance of the Loan and (2) satisfies the Mortgagee's environmental and title requirements) and the owner of such substitute collateral executes a limited guaranty and a mortgage (in the case of real estate collateral) and security agreement (or other applicable security document) acceptable to the Mortgagee prior to any such transfer (together, the “Substitute Security Documents”), provided that if such substitute collateral is real estate, and if the mortgage and security agreement is substantially the same as the Mortgage (except to such extent that revisions are necessary to comply with the requirements of the laws of the state in which such real estate is located), then it will be acceptable to the Mortgagee. Permitted transfers shall also include:

- (i) any Subsidiary of Mortgagor may be merged or consolidated with or into Mortgagor provided that Mortgagor shall be the continuing or surviving corporation) or with or into any other Borrower; provided, further, that such Borrower shall be the continuing or surviving entity;
- (ii) subject to Section 7.7(g) of the Credit Agreement, any Subsidiary of Mortgagor may Dispose of any or all of its assets (upon voluntary liquidation or otherwise) to Mortgagor; and
- (iii) subject to Section 7.5 of the Credit Agreement, the Mortgagor may make any Disposition of assets other than the Mortgaged Property.

1.13. Encumbrances. The Mortgagor will not create or suffer to be created any liens, Mortgages, security interests or other encumbrances of any kind whatsoever against the Mortgaged Property or the Collateral, except for this Mortgage, and the liens and encumbrances listed in Exhibit B, without the prior written consent of the Mortgagee, which consent may be given or withheld in the sole discretion of the Mortgagee.

1.14. Mortgagor's Notice. The Mortgagor shall provide to the Mortgagee immediate notice of each and every Event of Default and each and every default which after notice or lapse of time or both would constitute an Event of Default, which has occurred, as soon as the Mortgagor becomes aware of such Event

of Default or default, and in such notice shall specify the nature and period of existence thereof and what action the Mortgagor has taken or proposes to take with respect thereto.

1.15. Certain Representations and Warranties. The Mortgagor represents and warrants to the Mortgagee as follows:

(a) There are no actions, suits, proceedings or investigations of any kind pending or threatened against the Mortgagor before any court, tribunal or administrative agency or board that, if adversely determined, could reasonably be expected to, either in any case or in the aggregate, materially adversely affect the properties, assets, financial condition or business of such entity or person or materially impair the right of such entity or person to carry on business substantially as now conducted by it, or result in any material liability not adequately covered by insurance, or for which adequate reserves are not maintained on the balance sheet of such entity or person, or which question the validity of any of the Loan Documents, any action taken or to be taken pursuant hereto or thereto, or any lien or security interest created or intended to be created pursuant hereto or thereto, or which will adversely affect the ability of the Mortgagor to pay and perform the Obligations in the manner contemplated by the Loan Documents.

(b) No event which after notice or lapse of time or both would constitute an Event of Default, has occurred and is continuing.

(c) The Mortgaged Property is not now damaged or injured as a result of any Casualty. Except as set forth in Exhibit B, the Mortgaged Property is not currently the subject of any taking for public use, and to the knowledge of the Mortgagor, no such taking is pending or contemplated.

1.16. Records and Accounts. The Mortgagor will (a) keep true and accurate records and books of account with respect to the Mortgaged Property in which full, true and correct entries will be made in accordance with generally accepted accounting principles and (b) maintain adequate accounts and reserves for all taxes (including income taxes), depreciation and amortization, contingencies, and other reserves with respect to the Mortgaged Property. The Mortgagor shall permit the Mortgagee at the Mortgagor's expense to examine such books of account of the Mortgagor (and to make copies thereof and extracts therefrom) and to discuss the affairs, finances and accounts of the Mortgagor with, and to be advised as to the same by, its officers, all at such reasonable times and intervals as the Mortgagee may reasonably request; provided that the Mortgagor shall only be obligated to pay the expenses associated with one such investigation during any twelve (12) month period, unless an Event of Default has occurred.

1.17. Waste. Mortgagor's failure, refusal or neglect to pay any taxes or assessments levied against the Mortgaged Property or any insurance premiums due upon policies of insurance covering the Mortgaged Property will constitute waste under Michigan Compiled Laws 600.2927, and the Mortgagee shall have a right to appointment of a receiver of the Mortgaged Property and of the rents and income from the Mortgaged Property, with such powers as the court making such appointment confers. Mortgagor hereby irrevocably consents to such appointment in such event, and agrees that Mortgagee's costs and expenses, including reasonable attorney fees, incurred in such proceeding shall be added to the Obligations secured by this Mortgage. Payment by the Mortgagee for and on behalf of Mortgagor of any delinquent taxes, assessments, or insurance premiums payable by Mortgagor under the terms of this Mortgage will not cure the default herein described nor in any manner impair the Mortgagee's right to appointment of a receiver as set forth herein.

ARTICLE II  
EVENTS OF DEFAULT

2.1. Events of Default. The occurrence of any one or more of the following shall be deemed an “Event of Default” under this Mortgage:

(a) any failure by the Borrowers to pay any principal due under the Note at maturity or upon acceleration of the Loan; or

(b) any failure by the Borrowers to pay any other sum to be paid to the Mortgagee under this Mortgage or any other Loan Document and such failure continues for five (5) days after written notice from the Mortgagee to the Borrowers that such amount was due in accordance with the terms of this Mortgage or any other Loan Document; or

(c) any breach by any Borrower, or failure of any Borrower to observe, any other covenant, term or condition contained in this Mortgage or in any other Loan Document, or in any certificate or side letter executed and delivered in connection with the Loan Documents, and such breach or failure continues for thirty (30) days after written notice thereof from the Mortgagee to the Mortgagor or if such breach or failure cannot through the exercise of reasonable diligence be cured within said 30-day period, such additional period of time as may reasonably be required to cure such matter, not to exceed one hundred eighty (180) days, provided the Mortgagor or any other Borrower shall commence to cure such breach or failure with thirty (30) days and use diligent efforts to complete such cure (except for any breach or failure to observe any term or condition contained in Section 1.5, 1.7, 1.8 or 1.12 or any application of insurance proceeds by the Mortgagor in violation of the provisions of Section 1.8, each of which shall constitute an Event of Default without notice or any opportunity to cure); or

(d) title to the Mortgaged Property or the Collateral is or becomes unsatisfactory to the Mortgagee in its reasonable sole discretion by reason of any lien, charge, encumbrance, title condition or exception not listed in Exhibit B (including without limitation, any mechanic's, materialman's or similar statutory or common law lien or notice thereof), and such matter causing title to be or become unsatisfactory is not cured or removed (including by bonding) within twenty (20) days after notice thereof from the Mortgagee to the Mortgagor; or

(e) any material representation or warranty made or deemed to be made by or on behalf of any Borrower in any Loan Document, or in any report, certificate, financial statement, document or other instrument delivered by or on behalf of such party pursuant to or in connection with any Loan Document, shall prove to have been false or incorrect in any material respect upon the date when made or deemed to be made or repeated; or

(g) any dissolution, termination, partial or complete liquidation, merger or consolidation of any Borrower or any sale, transfer or other disposition of all or substantially all of the assets of any Borrower other than as permitted under the terms of this Mortgage; or

(h) any suit or proceeding shall be filed against any Borrower or the Mortgaged Property or the Personal Property which, if adversely determined, would have a materially adverse affect on the ability of any Borrower to perform their obligations under and by virtue of the Loan Documents and such suit or proceeding is not dismissed within thirty (30) days after notice thereof; or

(i) any of the Borrowers shall file a voluntary petition in bankruptcy under Chapter 11 of the United States Bankruptcy Code, or an order for relief shall be issued against any of the Borrowers in any involuntary petition in bankruptcy under Chapter 11 of the United States Bankruptcy Code and such order is not dismissed within ninety (90) days after the issuance thereof, or any of the Borrowers shall file any petition or answer seeking or acquiescing in any reorganization, arrangement, composition,

readjustment, liquidation, dissolution or similar relief for itself under any present or future federal, state or other law or regulation relating to bankruptcy, insolvency or other relief of debtors, or any of the Borrowers shall seek or consent to or acquiesce in the appointment of any custodian, trustee, receiver, conservator or liquidator of any of the Borrowers, or of all or any substantial part of the property of any of the Borrowers, or any of the Borrowers shall make an assignment for the benefit of creditors, or any of the Borrowers shall give notice to any governmental authority or body of insolvency or pending insolvency or suspension of operation; or

(j) a court of competent jurisdiction shall enter any order, judgment or decree approving a petition filed against any of the Borrowers seeking any reorganization, arrangement, composition, readjustment, liquidation or similar relief under any present or future federal, state or other law or regulation relating to bankruptcy, insolvency or other relief for debtors, or appointing any custodian, trustee, receiver, conservator or liquidator of all or any substantial part of its property; or

(k) any uninsured final judgment in excess of \$10,000,000.00 shall be rendered against any of the Borrowers and shall remain in force, undischarged, unsatisfied and unstayed, for more than sixty (60) days, whether or not consecutive, unless any of the Borrowers posts a bond for any such amount in excess of \$10,000,000.00; or

(l) any of the Loan Documents shall be cancelled, terminated, revoked or rescinded otherwise than in accordance with the terms thereof or with the express prior approval of the Mortgagee, or any action at law, suit in equity or other legal proceeding to cancel, revoke or rescind any of the Loan Documents shall be commenced by or on behalf of any of the Borrowers or any of the stockholders of any of the Borrowers or any court or any other governmental or regulatory authority or agency of competent jurisdiction shall make a determination that, or issue a judgment, order, decree or ruling to the effect that; any one or more of the Loan Documents is illegal, invalid or unenforceable in accordance with the terms thereof.

(m) A default occurs and continues beyond any applicable notice and cure periods under any other obligation from the Mortgagor or any other Borrower to the Mortgagee or any affiliate of the Mortgagee, including without limitation any hedging or swap obligations and the credit facility established pursuant to the Credit Agreement (as defined in the Note).

ARTICLE III  
REMEDIES

3.1. Remedies. Upon the occurrence of an Event of Default, the Mortgagee may, at its option, and without notice to or demand upon the Mortgagor, take any one or more of the following actions:

(a) declare any or all Obligations to be due and payable immediately;

(b) enter onto the Mortgaged Property, in person or by agent or by court-appointed receiver, and take any and all steps that may be desirable in the Mortgagee's judgment to complete any unfinished construction or to manage and operate the Mortgaged Property, and the Mortgagee may collect and apply any rents, royalties, income or profits collected against the indebtedness secured by this Mortgage without in any way curing or waiving any default of the Mortgagor;

(c) Mortgagee may foreclose this Mortgage and sell the Mortgaged Property at public auction or venue pursuant to Michigan Compiled Laws §600.3201 et seq. or judicially foreclose this Mortgage under the provisions of Michigan Compiled Laws §600.3101 et seq., and Mortgagor agrees to pay all of

Mortgagee's costs and expenses, including reasonable attorney fees, which shall be added to the Obligations secured by this Mortgage. At any foreclosure sale held under the foregoing Michigan statutes, Mortgagor agrees that in its foreclosure sale bid price the Mortgagee shall be allowed to deduct from the appraised value of the Mortgaged Property: (i) a brokerage commission of not more than ten percent (10%) of the Mortgaged Property value; (ii) the unpaid balance of any mortgage or other liens which have priority over the lien of this Mortgage; and (iii) the sum of all unpaid property taxes and assessments and insurance premiums due and to become due on the Mortgaged Property through the date upon which the foreclosure redemption period shall expire. Any foreclosure sale may, at the sole option of the Mortgagee, be made en masse or in parcels, any law to the contrary notwithstanding, and Mortgagor hereby knowingly, voluntarily and intelligently waives any right to require any such foreclosure sale to be made in parcels or any right to select which parcels shall be sold.

This Mortgage contains a power of sale and upon default may be foreclosed by advertisement. In a foreclosure by advertisement, no hearing is involved and the only notice required is publication of a foreclosure notice in a local newspaper and posting a copy of the notice upon the Mortgaged Property. If this Mortgage is foreclosed by advertisement under the provisions of Michigan Compiled Laws §600.3201 et seq., Mortgagor hereby knowingly, voluntarily, and intelligently waives all rights under the Constitution and laws of the State of Michigan and the Constitution and laws of the United States of America to any notice or hearing in connection with a foreclosure by advertisement except as set forth in the Michigan statute;

(d) exercise any other right or remedy available under law or in equity.

3.2. Foreclosure Sales. For any sale under the power of sale granted by this Mortgage, the Mortgagee shall give all notices required by law, and upon the expiration of such time as is required by law, the Mortgagee may sell the Mortgaged Property upon any terms and conditions permitted by applicable law. The Mortgagee may postpone any sale by public announcement at the time and place noticed for the sale. If the Mortgaged Property consists of several lots or parcels, the Mortgagee in its discretion may sell such lots or parcels separately in any order of sale or may elect to sell all of them as an entirety, and the Mortgagor hereby waives its rights, if any, to require that said lots or parcels be sold separately. Any person, including the Mortgagee and the Mortgagor, may purchase at any such sale.

3.3. Proceeds of Sales. The proceeds of any sale under this Mortgage shall be applied in the following manner

(a) First, to payment of the costs and expenses of the sale, including but not limited to the Mortgagee's reasonable fees, legal fees and disbursements, title charges and transfer taxes, and payment of all expenses, liabilities and advances of the Mortgagee, together with interest at the Default Rate on all advances made by the Mortgagee;

(b) Second, to payment of all sums expended by the Mortgagee under the terms of this Mortgage and not yet repaid, together with interest on such sums at the Default Rate;

(c) Third, to payment of the Obligations, including interest on the unpaid principal and interest due under the Note from the due date thereof, in any order that the Mortgagee chooses; and

(d) Fourth, the remainder, if any, to the person or persons legally entitled thereto as directed by a court of competent jurisdiction.

3.4. Method of Sales. The Mortgagor waives all rights to direct the order in which any of the Mortgaged Property or the Collateral will be sold in the event of any sale under this Mortgage, and also any

right to have any of the Mortgaged Property or the Collateral marshalled upon any sale.

3.5. Receiver. Following an Event of Default, the Mortgagee may require the appointment of a receiver for the Mortgaged Property or for the collection of rents therefrom, either pending a foreclosure sale or otherwise, irrespective of whether or not the Mortgaged Property is adequate security for the Obligations secured hereby, and the Mortgagor hereby consents to such appointment.

3.6. Cumulative Remedies. All remedies contained in this Mortgage are cumulative, and the Mortgagee shall have all other remedies provided by law or in any other agreement securing the Note. No delay or failure by the Mortgagee to exercise any right or remedy under this Mortgage will be construed to be a waiver of that right or remedy or of any default by the Mortgagor. The Mortgagee may exercise any one or more of its rights and remedies at its option without regard to the adequacy of its security.

3.7. Release of Parties or Collateral. Without affecting the liability of the Mortgagor or any other person (except any person expressly released in writing) for payment or performance of the Obligations, and without affecting the rights of the Mortgagee with respect to any security not expressly released in writing, the Mortgagee may, at any time and from time to time, either before or after the maturity of the Note, and without notice or consent:

- (a) release any person liable for payment of all or any part of the Obligations;
- (b) make any agreement extending the time or otherwise altering the terms of payment of all or any part of the Obligations, or modifying or waiving any Obligation hereunder, or subordinating, modifying or otherwise dealing with the lien or charge hereof.,
- (c) exercise or refrain from exercising or waive any right that the Mortgagee may have;
- (d) accept additional security of any kind; or
- (e) release or otherwise deal with any property, real or personal, securing any indebtedness, including all or any part of the Mortgaged Property or the Collateral.

3.8. Payment of Expenses. The Mortgagor shall pay all costs and expenses, including reasonable attorneys' and paralegals' fees, incurred by the Mortgagee in enforcing its rights or any appeal of its rights under the Note, under this Mortgage, or under any other instrument securing the Note, in defending or upholding the lien of this Mortgage or the rights of the Mortgagee hereunder, whether in an action, suit or otherwise, including but not limited to proceedings in bankruptcy court. Any such sums not paid by the Mortgagor to the Mortgagee upon demand shall bear interest at the Default Rate, and any such sums and the interest thereon shall be a lien on the Mortgaged Property and the Collateral prior to any right or title to, interest in or claim upon the Mortgaged Property and the Collateral attaching or accruing subsequent to the lien of this Mortgage and shall be secured by this Mortgage.

3.9. Uniform Commercial Code. With respect to the Collateral, upon and after any default or Event of Default, the Mortgagee shall have all of the rights and remedies of a secured party under the Uniform Commercial Code as then in effect in the Commonwealth of Michigan, to the extent applicable.

ARTICLE IV  
MISCELLANEOUS

4.1. Severability. In the event any one or more of the provisions contained in this Mortgage or in the Note shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity,

illegality or unenforceability shall, at the option of the Mortgagee, not affect any other provision of this Mortgage, but this Mortgage shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein or therein. The parties shall endeavor in good faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

4.2. Notices. Each notice, demand, election or request provided for or permitted to be given pursuant to this Agreement (hereinafter in this Section 4.2 referred to as "Notice") must be in writing and shall be deemed to have been properly given or served by personal delivery or by sending same by overnight courier or by depositing same in the United States Mail, postpaid and registered or certified, return receipt requested, and addressed as follows:

If to the Mortgagee:

Citizens Bank, N.A.  
28 State Street  
Boston, Massachusetts 02109  
Attn: William E. Lingard, Senior Vice President  
Phone: (617) 994-7114  
Fax: (617) 723-9371

with a copy to:

Brian F. Plunkett, Esq.  
Hackett Feinberg P.C.  
155 Federal Street  
Boston, Massachusetts 02110  
Phone: (617) 422-0200  
Fax: (617) 422-0383

If to the Mortgagor to:

Kadant Johnson LLC  
c/o Kadant Inc.  
One Technology Park Drive  
Westford, MA 01886  
Attn: Daniel J. Walsh, Treasurer

With a copy to:

Stacy Krause  
Vice President, General Counsel and Secretary  
Kadant Inc.  
One Technology Park Drive  
Westford, MA 01886

Each Notice shall be effective upon being personally delivered or upon being sent by overnight courier or upon being deposited in the United States Mail as aforesaid. The time period in which a response to such Notice must be given or any action taken with respect thereto (if any), however, shall commence to run from the date of receipt if personally delivered or sent by overnight courier, or if so deposited in the United States Mail, the earlier of three (3) Business Days following such deposit or the date of receipt as disclosed



on the return receipt. Rejection or other refusal to accept or the inability to deliver because of changed address for which no Notice was given shall be deemed to be receipt of the Notice sent. By giving at least ten (10) days prior Notice thereof sent in accordance herewith, the Mortgagor or the Mortgagee shall have the right from time to time and at any time to change their respective addresses and each shall have the right to specify as its address any other address within the United States of America.

4.3. Waiver of Notice. Whenever in this Mortgage the giving of notice is required, the giving of such notice may be waived in writing by the person or persons entitled to receive such notice.

4.4. Successors. All of the grants, covenants, terms, provisions and conditions contained herein shall run with the land and shall apply to, bind and inure to the benefit of the successors and assigns of the Mortgagor and the successors and assigns of the Mortgagee.

4.5. Statutory Provisions. All covenants and conditions contained herein shall be construed as affording to the Mortgagee rights additional to, and separate from, the rights conferred by the Mortgagor's covenants made hereby. The Mortgagor represents that it is not a trustee and that the Mortgaged Property is not used by the Mortgagor exclusively for residential purposes.

4.6. Governing Law. This Mortgage shall be governed by the laws of the Commonwealth of Massachusetts without regard to conflict of laws provisions therein, except to the extent the laws of the State of Michigan govern the Mortgage Property.

[Remainder of page left intentionally blank.]

Executed as a sealed instrument as of the date first above written.

**MORTGAGOR:**

KADANT JOHNSON LLC

By: Kadant Inc., its sole member

/s/ Astrid Tsang

Witness

By: /s/ Daniel J. Walsh

Name: Daniel J. Walsh

Title: Treasurer

COMMONWEALTH OF MASSACHUSETTS

Middlesex, ss.

On this 6th day of July, 2018, before me, the undersigned notary public, personally appeared Daniel J. Walsh, as Treasurer of Kadant Inc., the sole member of Kadant Johnson LLC, and proved to me through satisfactory evidence of identification, which was my personal knowledge of the signatory, to be the person whose name is signed on the preceding or attached document, and acknowledged to me that she/he signed it voluntarily for its stated purpose as the free act and deed of Kadant Inc., the sole member of Kadant Johnson LLC.

/s/ Stacy D. Krause

Notary Public

My commission expires: January 17, 2025

[Notary Seal]

*Mortgage (MI)*  
*Signature*

---

EXHIBIT A

Land situated in the City of Three Rivers, County of St. Joseph, and State of Michigan, described as:

PARCEL 1:

Lots 29, 30, 31, 32, the West 1/2 of Lot 33, BROOKLYN HEIGHTS ADDITION TO CITY OF THREE RIVERS, according to the plat thereof, as recorded in Liber 1 of Plats, Page 40, St. Joseph County Records, together with the Southerly 1/2 of vacated Haines Court, as recorded on May 8, 1961 in Liber 308, Page 290 and as recorded December 15, 1982 in Liber 482, Page 941. Also Lots 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, BROOKLYN HEIGHTS ADDITION TO THE CITY OF THREE RIVERS, according to the plat thereof, as recorded in Liber 1 of Plats, Page 40, St. Joseph County Records.

PARCEL 2:

Part of the Northwest 1/4 of Section 17, Town 6 South, Range 11 West, Unplatted City of Three Rivers, St. Joseph County, Michigan, described as: A strip of land beginning at the Northwest corner of Lot 61, Brooklyn Heights Addition, and running thence North along the East line of Wood Street 62.5 feet; thence East parallel with the North line of Lots 61 and 62, Brooklyn Heights Addition, 114 feet; thence South parallel with the East line of Wood Street 62.5 feet; thence West along the North line of said Lots 61 and 62 to the point of beginning.

PARCEL 3:

That part of the West 1/2 of the Northwest 1/4 of Section 17, Town 6 South, Range 11 West, described as: Beginning at the Northwest corner of Lot 63 of Brooklyn Heights Addition, Three Rivers, Michigan, according to the plat thereof, as recorded in Liber 1 of Plats, on Page 40, St. Joseph County Records; thence North along the West line of said Lot 63, as extended, 62.5 feet to a point; thence East parallel with the North line of Lots 63 and 64 of said Subdivision to a point on the East line of said Lot 64, as extended; thence South 62.5 feet to the Northeast corner of said Lot 64; thence West along the North line of said Lots 63 and 64 to the point of beginning.

PARCEL 4:

Beginning at a point on the East line of Wood Street 187.5 feet North of the North line of Eighth Avenue; thence North along the East line of Wood Street 102 feet; thence East 200 feet; thence South parallel with the East line of Wood Street 102 feet; thence West 200 feet to the point of beginning, being located on part of the Southwest 1/4 of the Northwest 1/4 of Section 17, Town 6 South, Range 11 West.

PARCEL 5:

Commencing at a point on the East line of Wood Street 164.5 feet North of the Northwest corner of Lot 61, Brooklyn Heights Addition to the City of Three Rivers, which is the point of beginning; thence North on the East side of Wood Street 80 feet; thence East at a right angle to Wood Street 200 feet; thence South parallel with the East line of Wood Street 80 feet; thence West 200 feet to the point of beginning.

PARCEL 6:

Beginning at a point 244.5 feet North of the Northwest corner of Lot 61, Brooklyn Heights Addition to the City of Three Rivers; thence East 200 feet; thence North 68 feet; thence West 200 feet; thence South 68 feet to the point of beginning, being part of the Northwest 1/4, Section 17, Town 6 South, Range 11 West.

PARCEL 7:

The East 75 feet of the following described premises: Beginning at a point on the East line of Wood Street,

*Mortgage (MI)*  
*Exhibit A*

---

312.5 feet North of the North line of Brooklyn Heights Addition; thence East 200 feet; thence North 147.5 feet to the South line of Tenth Avenue; thence West 170 feet, more or less, to the East line of Wood Street; thence Southwesterly along the East line of Wood Street to the point of beginning.

PARCEL 8:

Beginning at a point on the East line of Wood Street, 312.5 feet North of the North line of Brooklyn Heights Addition; thence East 200 feet; thence North 147.5 feet to the South line of Tenth Avenue; thence West 170 feet, more or less, to the East line of Wood Street; thence Southwesterly along the East line of Wood Street to the point of beginning, EXCEPTING the East 75 feet thereof.

PARCEL 9:

Beginning at the intersection of the West line of Washington Street with the North line of said Brooklyn Heights Addition; thence West 314 feet; thence North 62.5 feet; thence West 14 feet; thence North parallel with Washington Street 397.5 feet to the South line of Tenth Avenue; thence East 328 feet to the West line of Washington Street; thence South 460 feet to the point of beginning. Being a part of the West 1/2 of the Northwest 1/4 of Section 17, Town 6 South, Range 11 West, Lockport Township, Now City of Three Rivers, St. Joseph County, Michigan.

PARCEL 10:

Part of Outlot 19, PORTAGE ADDITION TO THE CITY OF THREE RIVERS, according to the plat thereof, as recorded in Liber 28 of Deeds on Page 425, described as follows: Commencing at a point on the West line of Wood Street 830.6 feet North of a stone on the quarter Section corner between Sections 17 and 18, Town 6 South, Range 11 West; thence West to the Portage River; thence Northeasterly along the Easterly bank of the Portage River to the West line of Wood Street and thence South to the point of beginning.

ALSO a parcel of land in the East 1/2 of the Northeast 1/4 of Section 18, Town 6 South, Range 11 West, beginning 188 feet West of the East line of said Section 18 and 240 3/4 feet North of the North line of Block 61, said Portage Addition; thence North 18 rods West to the Portage River; thence up stream along the East bank of said River to the West line of Wood Street; thence South to a point 240 3/4 feet North of the North line of said Block 61 and thence West to the point of beginning.

*Mortgage (MI)*  
*Exhibit A*

---

EXHIBIT B

(Permitted Encumbrances)

Those matters set forth in Schedule B, Part I of the Mortgagee's Policy of Title Insurance issued by Commonwealth Land Title Insurance Company to the Mortgagor with respect to this Mortgage.

*Mortgage (MI)*  
*Exhibit B*

OPEN-END MORTGAGE, SECURITY AGREEMENT, AND ASSIGNMENT OF LEASES  
AND RENTS

THIS OPEN-END MORTGAGE, SECURITY AGREEMENT, AND ASSIGNMENT OF RENTS (this “Mortgage”), dated as of the 6th day of July, 2018 is made by Verus Lebanon, LLC, a Delaware limited liability (“Mortgagor”), having a place of business at c/o Kadant Inc., One Technology Park Drive, Westford, MA 01886, in favor of Citizens Bank, N.A. (the “Mortgagee”), having an office at 28 State Street, Boston, MA 02109.

RECITALS

The Mortgagor, Kadant Johnson LLC, a Delaware limited liability company, having an address c/o Kadant, Inc., One Technology Park Drive, Westford, MA 01886 (“Kadant Johnson”), Kadant Inc., a corporation, having an address at One Technology Park Drive, Westford, MA 01886 (“Kadant”) and Kadant Black Clawson LLC, a Delaware limited liability company having an address c/o Kadant Inc., One Technology Park Drive, Westford, MA 01886 (“Kadant Black”, and collectively with Mortgagor, Kadant Johnson and Kadant, the “Borrowers”) has executed and delivered to the Mortgagee a certain Promissory Note of even date herewith in the original principal amount of \$21,000,000.00 (together with all amendments, restatements, modifications, replacements, renewals and extensions thereof, the “Note”).

This Mortgage, the Note, and the other Mortgages (as defined in the Note) together with all other documents or instruments previously, now or hereafter executed by any of the Borrowers in favor of the Mortgagee in connection with the Loan (as defined below) or entered into by any of the Borrowers in connection with the Loan, including any and all extensions, renewals, amendments, restatements, modifications and supplements thereof, are collectively referred to herein as the “Loan Documents”. Capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Note.

GRANTING CLAUSE

NOW, THEREFORE, in consideration of the Mortgagee's making the loan that is evidenced by the Note (the “Loan”), and in order to secure the payment of all amounts due and payable under the Note or any other Loan Document (the “Obligations”), the Mortgagor does hereby give, grant, bargain, sell and confirm to the Mortgagee, with MORTGAGE COVENANTS, the following property, rights and interests, TO HAVE AND TO HOLD unto the Mortgagee, its successors and assigns forever:

(1) the land located at 1425 Kingsview Drive, Lebanon, Warren County, Ohio, described in Exhibit A attached hereto (the “Land”), together with all buildings and improvements now or hereafter situated thereon owned by the Mortgagor (collectively “Improvements”); all easements, rights, privileges and appurtenances thereto; and all leases, rents, issues and profits therefrom (collectively, the “Mortgaged Property”);

(2) all fixtures, fittings, appliances, apparatus, equipment, machinery, and all building materials, supplies and equipment owned by the Mortgagor now or hereafter delivered to the Mortgaged Property and replacements thereof owned by the Mortgagor now or at any time hereafter affixed to, attached to, placed upon, or used in any way in connection with the complete and comfortable use, enjoyment, occupancy or operation of the improvements on the Mortgaged Property as a commercial building, but excluding all trade fixtures, furniture, supplies, inventory, and equipment used by the Mortgagor in connection with its business (collectively, the “Personal Property”);

(3) all contracts, agreements and warranties, including rights to return of deposits, prepaid premiums or other payments, relating to the construction, renovation, development, redevelopment, maintenance, repair, management, operation, use or occupancy of the Mortgaged Property, but not relating to the Mortgagor's business;

(4) all of the Mortgagor's right, title and interest in and to all proceeds of the conversion, voluntary or involuntary, of any of the Mortgaged Property or Personal Property into cash or liquidated claims, including, without limitation, proceeds of insurance and condemnation awards;

(5) all of the Mortgagor's right, title and interest in and to all licenses, and permits for the development, construction, use or occupancy of the Mortgaged Property as a commercial building, but excluding all such licenses or permits for the operation of the Mortgagor's other business at the Mortgaged Property; and

(6) all building books and records of the Mortgagor wheresoever situated, directly or indirectly related to the operation, maintenance, and ownership of the Mortgaged Property as real estate, whether or not kept in the normal course of Mortgagor's business, but excluding any such books and records related solely to the Mortgagor's other business at the Mortgaged Property.

The Personal Property and the items described in clauses (3) through (6) above are hereinafter collectively referred to as the "Collateral."

This Mortgage shall constitute a "security agreement" within the meaning of the Uniform Commercial Code with respect to the Collateral covered hereby. The Mortgagor hereby grants the Mortgagee a security interest in all of the Collateral, and a security interest shall attach thereto and shall be vested directly in the Mortgagee to secure the Obligations.

Mortgagor and Mortgagee intend that this Mortgage shall secure the unpaid balance of loan advances made by the Mortgagee after this Mortgage is delivered to the Warren County Recorder for record to the fullest extent and with the highest priority contemplated by Section 5301.232 of the Revised Code of Ohio. The maximum amount of all loan advances, in the aggregate and exclusive of interest accrued thereon and exclusive of protective advances made as contemplated by the provisions of Paragraph 2.1(e), which may be outstanding at any one time is \$21,000,000.00. If and to the extent applicable, Mortgagor waives any right it may have under Section 5301.232(C) of the Revised Code of Ohio.

In addition to the other Events of Default set forth in Article II below, any Event of Default under the Loan, any other loans, hedging or swap contracts or other bank product obligations of the Mortgagor to Mortgagee or an affiliate of Mortgagee, shall constitute an Event of Default under the Loan and this Agreement, and the Mortgagee, in its sole discretion may exercise any and/or all of its remedies under the Loan Documents, including without limitation, declare the Loan to be immediately due and payable.

#### ASSIGNMENT OF LEASES AND RENTS

Mortgagor hereby irrevocably, absolutely, presently and unconditionally assigns to Mortgagee all Mortgagor's right, title, and interest in and to leases, licenses, and other occupancy agreements of whatever name or description heretofore or hereafter entered into with respect to the Mortgaged Property or any part thereof, together with all options therefor, all extensions, modifications, and renewals thereof, and any guaranties of the tenant's obligations thereunder, and including any cash or security deposits thereunder to

secure performance by tenants of their obligations (collectively, the “Leases”) and all Mortgagor’s right, title, and interest in and to the rents, royalties, issues, profits, revenue, income and proceeds of the Mortgaged Property, whether now due, past due or to become due, including all prepaid rents and security deposits (collectively, the “Rents”), and confers upon Mortgagee the right to collect such Rents with or without taking possession of the Mortgaged Property. In the event that anyone establishes and exercises any right to develop, bore for or mine for any water, gas, oil or mineral on or under the surface of the Mortgaged Property, any sums that may become due and payable to Mortgagor as bonus or royalty payments, and any damages or other compensation payable to Mortgagor in connection with the exercise of any such rights, shall also be considered Rents assigned under this Paragraph. THIS IS AN ABSOLUTE ASSIGNMENT, NOT AN ASSIGNMENT FOR SECURITY ONLY.

Notwithstanding the provisions of section, Mortgagee hereby confers upon Mortgagor a license (“License”) to collect and retain the Rents as they become due and payable, so long as no Event of Default, as defined in Article II, shall exist. If an Event of Default has occurred, Mortgagee shall have the right, which it may choose to exercise in its sole discretion, to terminate this License and without regard to the adequacy of the security for the Obligations. Mortgagee agrees to provide prompt notice of such termination to Mortgagor.

ARTICLE I  
MORTGAGOR'S COVENANTS

The Mortgagor covenants and agrees as follows:

1.1. Title. The Mortgagor warrants (a) that it has good and marketable title in fee simple to the Mortgaged Property subject to no lien, charge or encumbrance except as listed on Exhibit B attached hereto; (b) that it owns the Personal Property free and clear of all liens and claims; (c) that this Mortgage is and will remain a valid and enforceable first lien on the Mortgaged Property and the Collateral subject only to the exceptions referred to above and such other exceptions as may be approved in writing by the Mortgagee; (d) that it has full power and lawful authority to mortgage the Mortgaged Property and grant a security interest in the Collateral in the manner and form herein done or intended hereafter to be done; and (e) that it will preserve such title, will forever warrant and defend the same to the Mortgagee and will forever warrant and, subject to the matters listed in Exhibit B, defend the validity and priority of the lien hereof against the claims of all persons and parties whomsoever.

1.2. Further Assurances. The Mortgagor will, at the sole cost of the Mortgagor, and without expense to the Mortgagee, do, execute, acknowledge and deliver all and every such further acts, deeds, conveyances, mortgages, assignments, notices of assignments, transfers and assurances as the Mortgagee shall from time to time require, for the better assuring, conveying, assigning, transferring and confirming unto the Mortgagee the property and rights hereby conveyed or assigned or intended now or hereafter so to be, or which the Mortgagor may be or may hereafter become bound to convey or assign to the Mortgagee, or for carrying out the intention or facilitating the performance of the terms of this Mortgage, or for filing, registering or recording this Mortgage and, on demand, will execute and deliver, and hereby authorizes the Mortgagee to execute in the name of the Mortgagor to the extent it may lawfully do so, one or more financing statements, chattel mortgages or comparable security instruments, to evidence more effectively the lien hereof upon the Mortgaged Property or the Collateral.

1.3. Compliance with Laws. The Mortgagor, or any successor to the Mortgagor permitted under Section 1.12(c) below, will, so long as it is owner of the Mortgaged Property or the Collateral do all things necessary to preserve and keep in full force and effect its existence, franchises, rights and privileges as a



limited liability company under the laws of the state of such entity's formation and will comply with all regulations, rules, ordinances, statutes, orders and decrees of any governmental authority or court applicable to the Mortgagor or to the Mortgaged Property or the Collateral or any part thereof.

1.4. Additions to Mortgaged Property. The Mortgagor shall not construct or erect any additional improvements, buildings or structures nor make any substantial additions to or alterations of the improvements, buildings, and structures now or hereafter located on the Mortgaged Property, nor shall the Mortgagor permit any such actions by any other person or entity, which (a) do not comply with all applicable federal, state and local zoning and land use laws and regulations, or (b) cause a material reduction in the value of the Mortgaged Property, without the prior written consent of the Mortgagee. All right, title and interest of the Mortgagor in and to all extensions, improvements, betterments, renewals, substitutions for and replacements of, and all additions and appurtenances to, the Mortgaged Property or the Collateral, hereafter acquired by, or released to, the Mortgagor or constructed, assembled or placed by the Mortgagor on the Mortgaged Property, and all conversions of the security constituted thereby, immediately upon such acquisition, release, construction, assembling, placement or conversion, as the case may be, and in each such case, without any further mortgage, conveyance, assignment or other act by the Mortgagor, shall become subject to the lien of this Mortgage as fully and completely, and with the same effect, as though now owned by the Mortgagor and specifically described in the grant clause hereof, and at any and all times the Mortgagor will execute and deliver to the Mortgagee any and all such further assurances, mortgages, conveyances or assignments thereof as the Mortgagee may reasonably require for the purpose of expressly and specifically subjecting the same to the lien of this Mortgage.

1.5. Payment of Taxes and Liens.

(a) The Mortgagor, from time to time when the same shall become due, will pay and discharge, or cause to be paid and discharged, all taxes of every kind and nature (including, without limitation, real and personal property taxes and income, franchise, withholding, profits and gross receipts taxes), all general and special assessments, levies, permits, inspection and license fees, all water and sewer rents and charges, and all other public charges whether of a like or different nature, imposed upon or assessed against the Mortgaged Property or the Collateral or any part thereof or upon the revenues, rents, issues, income or profits of the Mortgaged Property or the Collateral or arising in respect of the occupancy, use or possession thereof. Upon demand by the Mortgagee, the Mortgagor shall deliver to the Mortgagee receipts evidencing the payment of all such taxes, assessments, levies, fees, rents and other public charges imposed upon or assessed against it or the Mortgaged Property or the Collateral or the revenues, rents, issues, income or profits thereof

(b) The Mortgagor will pay, or cause to be paid, from time to time when the same shall become due, all lawful claims and demands of mechanics, materialmen, laborers, and others which, if unpaid, might result in, or permit the creation of, a lien on the Mortgaged Property or the Collateral or any part thereof, or on the revenues, rents, issues, income or profits arising therefrom and in general will do or cause to be done everything necessary so that the lien hereof shall be fully preserved, at the sole cost of the Mortgagor, without expense to the Mortgagee.

(c) Nothing in this Section 1.5 shall require the payment or discharge of any obligation imposed upon the Mortgagor by this Section so long as the Mortgagor shall in good faith and at its own expense contest the same or the validity thereof by appropriate legal proceedings which shall operate to prevent the collection thereof or other realization thereon and the sale or forfeiture of the Mortgaged Property or the Collateral or any part thereof to satisfy the same; provided that during such contest the Mortgagor shall, at the option of the Mortgagee, provide security satisfactory to the Mortgagee, assuring the discharge of the Mortgagor's obligation hereunder and of any additional charge, penalty or expense arising from or incurred as a result of such contest; and provided further, that if at any time payment of any obligation

imposed upon the Mortgagor by subsection (a) hereof shall become necessary to prevent the delivery of a tax deed conveying the Mortgaged Property or the Collateral or any portion thereof because of non-payment, then Mortgagor shall pay the same in sufficient time to prevent the delivery of such tax deed.

1.6. Payment of Mortgagee's Taxes. The Mortgagor will pay all taxes (except income taxes) imposed on the Mortgagee by reason of its ownership of this Mortgage.

1.7. Insurance.

(a) The Mortgagor will cause the Mortgaged Property and the Personal Property now and hereafter located on the Mortgaged Property to be kept insured, in such amounts, with such companies, for such periods and on such other terms as the Mortgagee may reasonably require and with such coverages, endorsements, deductibles, and expiration dates as are acceptable to the Mortgagee, providing the following types of insurance covering the Mortgaged Property and Personal Property:

(1) "All Risk" property insurance (including broad form flood, broad form earthquake and comprehensive boiler and machinery coverages) on the Mortgaged Property and the Personal Property in an amount not less than one hundred percent (100%) of the full replacement cost of any Improvements and Personal Property, with deductibles not to exceed \$100,000 for any one occurrence, with a replacement cost coverage endorsement, an agreed amount endorsement, and, if requested by the Mortgagee, a contingent liability from operation of building laws endorsement, a demolition cost endorsement and an increased cost of construction endorsement in such amounts as the Mortgagee may require. Full replacement cost as used herein means the cost of replacing the Improvements (exclusive of the cost of excavations, foundations and footings below the lowest basement floor) and the Personal Property without deduction for physical depreciation thereof;

(2) During the course of any construction or repair of any Improvements, the insurance required by clause (1) above shall be written on a builder's risk, completed value, non-reporting form, meeting all of the terms required by clause (1) above, covering the total value of work performed, material, equipment, machinery and supplies furnished, existing structures, and temporary structures being erected on or near the Mortgaged Property, including coverage against collapse and damage during transit or while being stored off-site, and containing a soft costs (including loss of rents) coverage endorsement and permission to occupy endorsement;

(3) With respect to any portion of any Mortgaged Property that is located in a Flood Zone within a community participating in the National Flood Insurance Program (the "Flood Program") created by the U.S. Congress pursuant to the National Flood Insurance Act of 1968, the Flood Disaster Protection Act of 1973, the National Flood Insurance Reform Act of 1994 and the Flood Insurance Reform Act of 2004, in each case as amended from time to time, and any successor statutes (collectively, the "Flood Insurance Laws"), (A) such flood insurance coverage under policies issued pursuant to and in compliance with the Flood Insurance Laws ("Flood Insurance Policies") in an amount equal to the maximum limit of coverage available for such Mortgaged Property under Flood Insurance Laws, subject only to deductibles consistent in scope and amount with those permitted under the Flood Program and (B) such additional coverage as required by the Mortgagee, if any, under supplemental private insurance policies in an amount so required by the Mortgagee, which when added to the coverage provided under the Flood Insurance Policies required under the foregoing clause (A), is not less than 100% of insurable replacement cost of the improvements on such Mortgaged Property;

(4) Commercial general liability insurance against claims for personal injury (to include, without limitation, bodily injury and personal and advertising injury) and property damage liability,

all on an occurrence basis, if available, with such coverages as the Mortgagee may request (including, without limitation, contractual liability coverage, completed operations coverage for a period of two (2) years following completion of construction of any Improvements on the Mortgaged Property, and coverages equivalent to an ISO broad form endorsement), with a general aggregate limit of not less than \$5,000,000.00, and a combined single "per occurrence" limit of not less than \$1,000,000.00 for bodily injury, property damage and medical payments;

(5) Employer's liability insurance;

(6) Workmen's compensation insurance for all employees of the Mortgagor engaged on or with respect to the Mortgaged Property; and

(7) Such additional types and amounts of coverage in such form and in such amounts as may from time to time be requested by the Mortgagee which at the time are customarily (i) maintained by developers or owners of like properties, or (ii) required by sophisticated institutional lenders in like transactions.

(b) The insurance provided for in clause (4) above shall name the Mortgagee as an additional insured and shall contain a cross liability/severability endorsement. The insurance provided for in clauses (1), (2), and (3) above shall name the Mortgagee as mortgagee and loss payee. The Mortgagor shall deliver certificates of insurance and, if requested by the Mortgagee, duplicate originals or certified copies of all such policies to the Mortgagee together with receipts evidencing payment of all premiums for such policies, and the Mortgagor shall promptly furnish to the Mortgagee all renewal notices. All insurance policies shall provide that such insurance shall not be cancelled or modified without at least thirty (30) days' prior written notice to the Mortgagee.

(c) The Mortgagor shall not permit any condition to exist which would wholly or partially invalidate such insurance policies and will make all payments of insurance premiums for which provision has not been made herein, and in default thereof, the Mortgagee may pay the same and the Mortgagor shall reimburse the Mortgagee therefor on demand. The Mortgagee shall not be bound by the fact of approving, disapproving, accepting, preventing, obtaining or failing to obtain any such insurance, incur any liability for the form or legal sufficiency of insurance policies, solvency of insurers, payment of losses or otherwise in connection with such insurance; and the Mortgagor hereby expressly assumes full responsibility therefor and liability, if any, thereunder.

(d) The Mortgagor shall not obtain separate insurance concurrent in form or contributing in the event of loss with that required to be maintained under this Section 1.7, unless the Mortgagee is included thereon as a named insured with loss payable to the Mortgagee under a standard mortgagee endorsement. The Mortgagor shall immediately notify the Mortgagee whenever any such separate insurance is obtained, specifying the insurer thereunder and providing copies of the insurance policies evidencing the same.

(e) Notwithstanding the foregoing, upon thirty (30) days prior notice to the Mortgagee, the Mortgagor may self-insure.

1.8. Casualty.

(a) In the event of any damage or destruction, with a repair or replacement cost of more than \$250,000 in the aggregate, to the Mortgaged Property or the other Collateral by reason of fire or other hazard or casualty (collectively, a "Casualty"), the Mortgagor shall give immediate written notice thereof

to the Mortgagee and proceed with reasonable diligence, in full compliance with all applicable laws and regulations (“Legal Requirements”), to repair, restore, rebuild or replace the affected property (collectively, the “Repair Work”). If pursuant to paragraph (c) below, the Mortgagee applies insurance proceeds to the Obligations and does not release the same to the Mortgagor, the obligation of the Mortgagor to complete the Repair Work shall be limited to taking all actions reasonably required to make the Mortgaged Property safe and in compliance with all Legal Requirements and to restore the undamaged portion of the Mortgaged Property to an economically functional unit to the extent that it is reasonably possible to do so.

(b) All insurance claims shall be adjusted by the Mortgagor at the Mortgagor's sole cost and expense, except that the adjustment of all insurance claims of more than \$250,000 shall be subject to the Mortgagee's prior written approval, which shall not be unreasonably withheld; provided that if any Event of Default (as defined below) exists, the Mortgagee shall have the right to adjust and compromise such claims without the approval of the Mortgagor.

(c) All proceeds of insurance shall be paid to the Mortgagor and the Mortgagee and, at the Mortgagee's option, be applied to the Obligations or released, in whole or in part, to pay for the actual cost of repair, restoration, rebuilding or replacement (collectively, the “Repair Costs”). Notwithstanding the foregoing, if the Repair Costs do not exceed \$250,000, the Mortgagee shall release so much of the insurance proceeds as may be required to pay for the Repair Costs in accordance with the provisions of paragraph (d) below.

(d) If the Mortgagee elects, or is required to, release insurance proceeds, then the Mortgagee may impose reasonable conditions on such release which shall include, but not be limited to, the following:

- (i) prior written approval by the Mortgagee, which approval shall not be unreasonably withheld or delayed, of plans, specifications, cost estimates, contracts and bonds for the restoration or repair of the loss or damage;
- (ii) waivers of lien, architect's certificates, contractor's sworn statements and other evidence of costs, payments and completion as the Mortgagee may in good faith require;
- (iii) if the Repair Costs do not exceed \$250,000, the funds to pay therefor shall be released to the Mortgagor; otherwise, funds shall be released upon final completion of the Repair Work, unless the Mortgagor requests earlier funding, in which event partial monthly disbursements equal to 95% of the value of the work completed (or, if the applicable contract is on a cost plus basis, then 95% of the costs of the work completed if such cost is less than the value thereof) shall be made prior to final completion of the repair, restoration or replacement and the balance, of the disbursements shall be made upon full completion and the receipt by the Mortgagee of satisfactory evidence of payment and release of all liens;
- (iv) determination in good faith by the Mortgagee that the undisbursed balance of such proceeds on deposit with the Mortgagee, together with additional funds deposited for the purpose, shall be sufficient to pay for the remaining Repair Costs, free and clear of all liens and claims for lien;

- (v) all work shall comply with Legal Requirements and shall be of a quality that is consistent with or better than the original construction of the Mortgaged Property; and
- (vi) the absence of any Event of Default.

1.9. Taking. If there is any taking for public use of the Mortgaged Property or of any tangible Collateral, then any awards in excess of \$250,000 on account thereof (a) shall be paid to the Mortgagee and shall be applied to the Obligations, and the excess, if any, shall be released to the Mortgagor, or (b) at the Mortgagee's discretion, shall be released to the Mortgagor. If the award is \$250,000 or less, such amount shall be paid to the Mortgagor. If, in the case of a partial taking or a temporary taking, in the good faith judgment of the Mortgagee the effect of such taking is such that there has not been a material and adverse impairment of the viability of the Mortgaged Property or the value of the Collateral, so long as no Event of Default exists, the Mortgagee shall release awards on account of such taking to the Mortgagor if such awards are sufficient (or amounts sufficient are otherwise made available) to repair or restore the Mortgaged Property to a condition reasonably satisfactory to the Mortgagee and such partial or temporary taking shall not be deemed to violate the provisions of Section 1.12.

1.10. Mortgagee's Right to Satisfy Mortgagor's Obligations. If the Mortgagor shall fail to perform any of the covenants contained herein the Mortgagee may perform the same on its behalf, and any sums advanced by the Mortgagee in performing any of the Mortgagor's covenants shall be secured by this Mortgage. The Mortgagor will repay on demand all sums so advanced on its behalf with interest at the Prime Rate as defined under the Note (the "Default Rate"). The exercise of any right by the Mortgagee under this Section 1.10 shall not prevent any default by the Mortgagor in the observance of any covenant contained in this Mortgage from constituting an Event of Default.

1.11. Maintenance. The Mortgagor will not abandon or leave unprotected the whole or any part of the Mortgaged Property or the Collateral and, except as provided in the Loan Documents, will not commit any waste on the Mortgaged Property or make any change in the use of the Mortgaged Property which will in any way create any unreasonable risk of fire or other hazard. The Mortgagor will, at all times, maintain the Mortgaged Property and the Personal Property in good operating order and condition, and will promptly make from time to time all repairs, renewals, replacements, additions and improvements reasonably necessary to maintain the Mortgaged Property and the Personal Property in such order and condition. Except as otherwise provided in the Loan Documents, the Mortgagor shall not demolish or substantially alter the Mortgaged Property except as permitted herein, nor remove any of the Personal Property without the prior written consent of the Mortgagee, except where such Personal Property is replaced by appropriate substitutes, free of superior title, liens and claims, and of value at least equal to the value of the Personal Property removed. The Mortgagee or its authorized representative shall have the right to enter upon the Mortgaged Property from time to time at reasonable times to ascertain the Mortgagor's compliance with the terms of this Section 1.11 upon twenty-four (24) hours' prior notice to the Mortgagor, except in the case of an emergency.

1.12. Alienation.

(a) The Mortgagor agrees that if, except for the Permitted Transfers (as defined in subsection (c) below), the Mortgaged Property or the Collateral or any part thereof or interest therein is sold, assigned, transferred, conveyed or otherwise alienated by the Mortgagor (including, without limitation, any leasing of the Mortgaged Property), whether voluntarily or involuntarily or by operation of law, in either or in any case without the prior written consent of the Mortgagee, which may be granted or withheld by the Mortgagee in its sole discretion, the Mortgagee, at its option, may declare the Obligations to be

forthwith due and payable. Any change in the legal or equitable title to the Mortgaged Property or the Collateral or any part thereof or interest therein or in the beneficial ownership of the Mortgaged Property or the Collateral or any part thereof or interest therein whether or not of record and whether or not for consideration, or any sale or sales or other disposition of any membership interest in the Mortgagor, shall be deemed to be the transfer of an interest in the Mortgaged Property and the Collateral.

(b) Except in the case of a Permitted Transfer, if ownership of the Mortgaged Property or the Collateral or any part thereof or interest therein becomes vested in a person or persons other than the Mortgagor, whether with or without the prior written approval of the Mortgagee, then the Mortgagee may, without notice to the Mortgagor, waive a default if such occurs thereby and deal with such successor or successors in interest with reference to this Mortgage and the other Loan Documents in the same manner as with the Mortgagor, without in any way releasing, discharging or otherwise affecting the liability of the Mortgagor hereunder, or the Obligations. No sale of the Mortgaged Property or the Collateral or any part thereof or interest therein, no forbearance on the part of the Mortgagee, no extension of the time for the payment and performance of the Obligations, and no change in the terms thereof consented to by the Mortgagee shall in any way whatsoever operate to release, discharge, modify, change or affect the original liability of the Mortgagor herein, either in whole or in part, nor shall the full force and effect of this lien be altered thereby.

(c) “Permitted Transfers” shall mean the transfer of the Mortgaged Property, or the Collateral, or any part thereof or interest therein, or of any interests in the Mortgagor, (i) to any other Borrower, or any entity owned or controlled by any Borrower or under common control with any other Borrower, provided that if the whole or any part of the Mortgaged Property or Collateral is so transferred, such transferee shall execute a limited guaranty and mortgage and security agreement (or similar document) acceptable to the Mortgagee, or (ii) to any other entity, provided the Borrowers provide (x) cash collateral for the Obligations or (y) other substitute collateral for the Obligations approved by the Mortgagee (which approval shall not be unreasonably withheld if the value of such substitute collateral together with the other collateral for the Loan, is (1) sufficient to satisfy an eighty-five percent (85%) loan-to-value ratio for the then outstanding balance of the Loan and (2) satisfies the Mortgagee's environmental and title requirements) and the owner of such substitute collateral executes a limited guaranty and a mortgage (in the case of real estate collateral) and security agreement (or other applicable security document) acceptable to the Mortgagee prior to any such transfer (together, the “Substitute Security Documents”), provided that if such substitute collateral is real estate, and if the mortgage and security agreement is substantially the same as the Mortgage (except to such extent that revisions are necessary to comply with the requirements of the laws of the state in which such real estate is located), then it will be acceptable to the Mortgagee. Permitted transfers shall also include:

- (i) any Subsidiary of Mortgagor may be merged or consolidated with or into Mortgagor provided that Mortgagor shall be the continuing or surviving corporation) or with or into any other Borrower; provided, further, that such Borrower shall be the continuing or surviving entity;
- (ii) subject to Section 7.7(g) of the Credit Agreement, any Subsidiary of Mortgagor may Dispose of any or all of its assets (upon voluntary liquidation or otherwise) to Mortgagor; and
- (iii) subject to Section 7.5 of the Credit Agreement, the Mortgagor may make any Disposition of assets other than the Mortgaged Property.

1.13. Encumbrances. The Mortgagor will not create or suffer to be created any liens, Mortgages, security interests or other encumbrances of any kind whatsoever against the Mortgaged Property or the Collateral, except for this Mortgage, and the liens and encumbrances listed in Exhibit B, without the prior written consent of the Mortgagee, which consent may be given or withheld in the sole discretion of the Mortgagee.

1.14. Mortgagor's Notice. The Mortgagor shall provide to the Mortgagee immediate notice of each and every Event of Default and each and every default which after notice or lapse of time or both would constitute an Event of Default, which has occurred, as soon as the Mortgagor becomes aware of such Event of Default or default, and in such notice shall specify the nature and period of existence thereof and what action the Mortgagor has taken or proposes to take with respect thereto.

1.15. Certain Representations and Warranties. The Mortgagor represents and warrants to the Mortgagee as follows:

(a) There are no actions, suits, proceedings or investigations of any kind pending or threatened against the Mortgagor before any court, tribunal or administrative agency or board that, if adversely determined, could reasonably be expected to, either in any case or in the aggregate, materially adversely affect the properties, assets, financial condition or business of such entity or person or materially impair the right of such entity or person to carry on business substantially as now conducted by it, or result in any material liability not adequately covered by insurance, or for which adequate reserves are not maintained on the balance sheet of such entity or person, or which question the validity of any of the Loan Documents, any action taken or to be taken pursuant hereto or thereto, or any lien or security interest created or intended to be created pursuant hereto or thereto, or which will adversely affect the ability of the Mortgagor to pay and perform the Obligations in the manner contemplated by the Loan Documents.

(b) No event which after notice or lapse of time or both would constitute an Event of Default, has occurred and is continuing.

(c) The Mortgaged Property is not now damaged or injured as a result of any Casualty. Except as set forth in Exhibit B, the Mortgaged Property is not currently the subject of any taking for public use, and to the knowledge of the Mortgagor, no such taking is pending or contemplated.

1.16. Records and Accounts. The Mortgagor will (a) keep true and accurate records and books of account with respect to the Mortgaged Property in which full, true and correct entries will be made in accordance with generally accepted accounting principles and (b) maintain adequate accounts and reserves for all taxes (including income taxes), depreciation and amortization, contingencies, and other reserves with respect to the Mortgaged Property. The Mortgagor shall permit the Mortgagee at the Mortgagor's expense to examine such books of account of the Mortgagor (and to make copies thereof and extracts therefrom) and to discuss the affairs, finances and accounts of the Mortgagor with, and to be advised as to the same by, its officers, all at such reasonable times and intervals as the Mortgagee may reasonably request; provided that the Mortgagor shall only be obligated to pay the expenses associated with one such investigation during any twelve (12) month period, unless an Event of Default has occurred.

ARTICLE II  
EVENTS OF DEFAULT

2.1. Events of Default. The occurrence of any one or more of the following shall be deemed an “Event of Default” under this Mortgage:

(a) any failure by the Borrowers to pay any principal due under the Note at maturity or upon acceleration of the Loan; or

(b) any failure by the Borrowers to pay any other sum to be paid to the Mortgagee under this Mortgage or any other Loan Document and such failure continues for five (5) days after written notice from the Mortgagee to the Borrowers that such amount was due in accordance with the terms of this Mortgage or any other Loan Document; or

(c) any breach by any Borrower, or failure of any Borrower to observe, any other covenant, term or condition contained in this Mortgage or in any other Loan Document, or in any certificate or side letter executed and delivered in connection with the Loan Documents, and such breach or failure continues for thirty (30) days after written notice thereof from the Mortgagee to the Mortgagor or if such breach or failure cannot through the exercise of reasonable diligence be cured within said 30-day period, such additional period of time as may reasonably be required to cure such matter, not to exceed one hundred eighty (180) days, provided the Mortgagor or any other Borrower shall commence to cure such breach or failure with thirty (30) days and use diligent efforts to complete such cure (except for any breach or failure to observe any term or condition contained in Section 1.5, 1.7, 1.8 or 1.12 or any application of insurance proceeds by the Mortgagor in violation of the provisions of Section 1.8, each of which shall constitute an Event of Default without notice or any opportunity to cure); or

(d) title to the Mortgaged Property or the Collateral is or becomes unsatisfactory to the Mortgagee in its reasonable sole discretion by reason of any lien, charge, encumbrance, title condition or exception not listed in Exhibit B (including without limitation, any mechanic's, materialman's or similar statutory or common law lien or notice thereof), and such matter causing title to be or become unsatisfactory is not cured or removed (including by bonding) within twenty (20) days after notice thereof from the Mortgagee to the Mortgagor; or

(e) any material representation or warranty made or deemed to be made by or on behalf of any Borrower in any Loan Document, or in any report, certificate, financial statement, document or other instrument delivered by or on behalf of such party pursuant to or in connection with any Loan Document, shall prove to have been false or incorrect in any material respect upon the date when made or deemed to be made or repeated; or

(g) any dissolution, termination, partial or complete liquidation, merger or consolidation of any Borrower or any sale, transfer or other disposition of all or substantially all of the assets of any Borrower other than as permitted under the terms of this Mortgage; or

(h) any suit or proceeding shall be filed against any Borrower or the Mortgaged Property or the Personal Property which, if adversely determined, would have a materially adverse affect on the ability of any Borrower to perform their obligations under and by virtue of the Loan Documents and such suit or proceeding is not dismissed within thirty (30) days after notice thereof; or

(i) any of the Borrowers shall file a voluntary petition in bankruptcy under Chapter 11 of the United States Bankruptcy Code, or an order for relief shall be issued against any of the Borrowers in any involuntary petition in bankruptcy under Chapter 11 of the United States Bankruptcy Code and such order is not dismissed within ninety (90) days after the issuance thereof, or any of the Borrowers shall file any petition or answer seeking or acquiescing in any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief for itself under any present or future federal, state or other law or regulation relating to bankruptcy, insolvency or other relief of debtors, or any of the Borrowers



shall seek or consent to or acquiesce in the appointment of any custodian, trustee, receiver, conservator or liquidator of any of the Borrowers, or of all or any substantial part of the property of any of the Borrowers, or any of the Borrowers shall make an assignment for the benefit of creditors, or any of the Borrowers shall give notice to any governmental authority or body of insolvency or pending insolvency or suspension of operation; or

(j) a court of competent jurisdiction shall enter any order, judgment or decree approving a petition filed against any of the Borrowers seeking any reorganization, arrangement, composition, readjustment, liquidation or similar relief under any present or future federal, state or other law or regulation relating to bankruptcy, insolvency or other relief for debtors, or appointing any custodian, trustee, receiver, conservator or liquidator of all or any substantial part of its property; or

(k) any uninsured final judgment in excess of \$10,000,000.00 shall be rendered against any of the Borrowers and shall remain in force, undischarged, unsatisfied and unstayed, for more than sixty (60) days, whether or not consecutive, unless any of the Borrowers posts a bond for any such amount in excess of \$10,000,000.00; or

(l) any of the Loan Documents shall be cancelled, terminated, revoked or rescinded otherwise than in accordance with the terms thereof or with the express prior approval of the Mortgagee, or any action at law, suit in equity or other legal proceeding to cancel, revoke or rescind any of the Loan Documents shall be commenced by or on behalf of any of the Borrowers or any of the stockholders of any of the Borrowers or any court or any other governmental or regulatory authority or agency of competent jurisdiction shall make a determination that, or issue a judgment, order, decree or ruling to the effect that; any one or more of the Loan Documents is illegal, invalid or unenforceable in accordance with the terms thereof.

(m) A default occurs and continues beyond any applicable notice and cure periods under any other obligation from the Mortgagor or any other Borrower to the Mortgagee or any affiliate of the Mortgagee, including without limitation any hedging or swap obligations and the credit facility established pursuant to the Credit Agreement (as defined in the Note).

### ARTICLE III

#### REMEDIES

3.1. Remedies. Upon the occurrence of an Event of Default, the Mortgagee may, at its option, and without notice to or demand upon the Mortgagor, take any one or more of the following actions:

(a) declare any or all Obligations to be due and payable immediately;

(b) enter onto the Mortgaged Property, in person or by agent or by court-appointed receiver, and take any and all steps that may be desirable in the Mortgagee's judgment to complete any unfinished construction or to manage and operate the Mortgaged Property, and the Mortgagee may collect and apply any rents, royalties, income or profits collected against the indebtedness secured by this Mortgage without in any way curing or waiving any default of the Mortgagor;

(c) foreclose this Mortgage by any process permitted by applicable law, or bring a court action to enforce its provisions or payment of any of the indebtedness or obligations secured by this Mortgage;

(d) exercise any other right or remedy available under law or in equity.

3.2. Foreclosure Sales. For any sale under a foreclosure sale as provided by law, granted by this Mortgage, the Mortgagee shall give all notices required by law, and upon the expiration of such time as is required by law, the Mortgagee may sell the Mortgaged Property upon any terms and conditions permitted by applicable law. The Mortgagee may postpone any sale by public announcement at the time and place noticed for the sale. If the Mortgaged Property consists of several lots or parcels, the Mortgagee in its discretion may sell such lots or parcels separately in any order of sale or may elect to sell all of them as an entirety, and the Mortgagor hereby waives its rights, if any, to require that said lots or parcels be sold separately. Any person, including the Mortgagee and the Mortgagor, may purchase at any such sale.

3.3. Proceeds of Sales. The proceeds of any sale under this Mortgage shall be applied in the following manner

(a) First, to payment of the costs and expenses of the sale, including but not limited to the Mortgagee's reasonable fees, legal fees and disbursements, title charges and transfer taxes, and payment of all expenses, liabilities and advances of the Mortgagee, together with interest at the Default Rate on all advances made by the Mortgagee;

(b) Second, to payment of all sums expended by the Mortgagee under the terms of this Mortgage and not yet repaid, together with interest on such sums at the Default Rate;

(c) Third, to payment of the Obligations, including interest on the unpaid principal and interest due under the Note from the due date thereof, in any order that the Mortgagee chooses; and

(d) Fourth, the remainder, if any, to the person or persons legally entitled thereto as directed by a court of competent jurisdiction.

3.4. Method of Sales. The Mortgagor waives all rights to direct the order in which any of the Mortgaged Property or the Collateral will be sold in the event of any sale under this Mortgage, and also any right to have any of the Mortgaged Property or the Collateral marshalled upon any sale.

3.5. Receiver. Following an Event of Default, the Mortgagee may require the appointment of a receiver for the Mortgaged Property or for the collection of rents therefrom, either pending a foreclosure sale or otherwise, irrespective of whether or not the Mortgaged Property is adequate security for the Obligations secured hereby, and the Mortgagor hereby consents to such appointment.

3.6. Cumulative Remedies. All remedies contained in this Mortgage are cumulative, and the Mortgagee shall have all other remedies provided by law or in any other agreement securing the Note. No delay or failure by the Mortgagee to exercise any right or remedy under this Mortgage will be construed to be a waiver of that right or remedy or of any default by the Mortgagor. The Mortgagee may exercise any one or more of its rights and remedies at its option without regard to the adequacy of its security.

3.7. Release of Parties or Collateral. Without affecting the liability of the Mortgagor or any other person (except any person expressly released in writing) for payment or performance of the Obligations, and without affecting the rights of the Mortgagee with respect to any security not expressly released in writing, the Mortgagee may, at any time and from time to time, either before or after the maturity of the Note, and without notice or consent:

(a) release any person liable for payment of all or any part of the Obligations;

- (b) make any agreement extending the time or otherwise altering the terms of payment of all or any part of the Obligations, or modifying or waiving any Obligation hereunder, or subordinating, modifying or otherwise dealing with the lien or charge hereof.,
- (c) exercise or refrain from exercising or waive any right that the Mortgagee may have;
- (d) accept additional security of any kind; or
- (e) release or otherwise deal with any property, real or personal, securing any indebtedness, including all or any part of the Mortgaged Property or the Collateral.

3.8. Payment of Expenses. The Mortgagor shall pay all costs and expenses, including reasonable attorneys' and paralegals' fees, incurred by the Mortgagee in enforcing its rights or any appeal of its rights under the Note, under this Mortgage, or under any other instrument securing the Note, in defending or upholding the lien of this Mortgage or the rights of the Mortgagee hereunder, whether in an action, suit or otherwise, including but not limited to proceedings in bankruptcy court. Any such sums not paid by the Mortgagor to the Mortgagee upon demand shall bear interest at the Default Rate, and any such sums and the interest thereon shall be a lien on the Mortgaged Property and the Collateral prior to any right or title to, interest in or claim upon the Mortgaged Property and the Collateral attaching or accruing subsequent to the lien of this Mortgage and shall be secured by this Mortgage.

3.9. Uniform Commercial Code. With respect to the Collateral, upon and after any default or Event of Default, the Mortgagee shall have all of the rights and remedies of a secured party under the Uniform Commercial Code as then in effect in the State of Ohio, to the extent applicable. Mortgagor's exact legal name, type of legal entity and jurisdiction of formation are as set forth in the first paragraph of this Mortgage.

ARTICLE IV  
MISCELLANEOUS

4.1. Severability. In the event any one or more of the provisions contained in this Mortgage or in the Note shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall, at the option of the Mortgagee, not affect any other provision of this Mortgage, but this Mortgage shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein or therein. The parties shall endeavor in good faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

4.2. Notices. Each notice, demand, election or request provided for or permitted to be given pursuant to this Agreement (hereinafter in this Section 4.2 referred to as "Notice") must be in writing and shall be deemed to have been properly given or served by personal delivery or by sending same by overnight courier or by depositing same in the United States Mail, postpaid and registered or certified, return receipt requested, and addressed as follows:

If to the Mortgagee:

Citizens Bank, N.A.  
28 State Street  
Boston, Massachusetts 02109  
Attn: William E. Lingard, Senior Vice President  
Phone: (617) 994-7114

Fax: (617) 723-9371

with a copy to:

Brian F. Plunkett, Esq.  
Hackett Feinberg P.C.  
155 Federal Street  
Boston, Massachusetts 02110  
Phone: (617) 422-0200  
Fax: (617) 422-0383

If to the Mortgagor to:

Verus Lebanon, LLC  
c/o Kadant Inc.  
One Technology Park Drive  
Westford, MA 01886  
Attn: Daniel J. Walsh, Treasurer

With a copy to:

Stacy Krause  
Vice President, General Counsel and Secretary  
Kadant Inc.  
One Technology Park Drive  
Westford, MA 01886

Each Notice shall be effective upon being personally delivered or upon being sent by overnight courier or upon being deposited in the United States Mail as aforesaid. The time period in which a response to such Notice must be given or any action taken with respect thereto (if any), however, shall commence to run from the date of receipt if personally delivered or sent by overnight courier, or if so deposited in the United States Mail, the earlier of three (3) Business Days following such deposit or the date of receipt as disclosed on the return receipt. Rejection or other refusal to accept or the inability to deliver because of changed address for which no Notice was given shall be deemed to be receipt of the Notice sent. By giving at least ten (10) days prior Notice thereof sent in accordance herewith, the Mortgagor or the Mortgagee shall have the right from time to time and at any time to change their respective addresses and each shall have the right to specify as its address any other address within the United States of America.

4.3. Waiver of Notice. Whenever in this Mortgage the giving of notice is required, the giving of such notice may be waived in writing by the person or persons entitled to receive such notice.

4.4. Successors. All of the grants, covenants, terms, provisions and conditions contained herein shall run with the land and shall apply to, bind and inure to the benefit of the successors and assigns of the Mortgagor and the successors and assigns of the Mortgagee.

4.5. Statutory Provisions. All covenants and conditions contained herein shall be construed as affording to the Mortgagee rights additional to, and separate from, the rights conferred by the Mortgagor's covenants made hereby. This Mortgage is upon the upon the statutory mortgage condition for breach of which this Mortgage is subject to foreclosure as provided by law, with mortgage covenants and right of entry and possession. The Mortgagor represents that it is not a trustee and that the Mortgaged Property is not used by the Mortgagor exclusively for residential purposes.

4.6. Governing Law. This Mortgage shall be governed by the laws of the Commonwealth of Massachusetts without regard to conflict of laws provisions therein, except to the extent the laws of the State of Ohio govern the Mortgaged Property.

4.7 Mechanics' Lien Law. Mortgagee shall be and hereby is authorized and empowered to do, as mortgagee, all things provided to be done in the mechanics' lien laws of Ohio, including, without limitation, Ohio Revised Code Section 1311.14, and all acts amendatory or supplementary thereto.

4 . 8 Waiver of Jury Trial. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS MORTGAGE OR ANY OTHER DOCUMENT EXECUTED IN CONNECTION HERewith OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (a) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (b) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS MORTGAGE AND THE OTHER DOCUMENTS CONTEMPLATED HEREBY BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION AND (c) CERTIFIES THAT THIS WAIVER IS KNOWINGLY, WILLINGLY AND VOLUNTARILY MADE.

[Remainder of page left intentionally blank.]

Executed as a sealed instrument as of the date first above written.

**MORTGAGOR:**

VERUS LEBANON, LLC

By: Sundance Partners LLC, its sole member

By: Kadant Black Clawson LLC, its sole member

By: Kadant Inc., its sole member

/s/ Astrid Tsang

Witness

By: /s/ Daniel J. Walsh

Name: Daniel J. Walsh

Title: Treasurer

COMMONWEALTH OF MASSACHUSETTS

Middlesex, ss.

On this 6th day of July, 2018, before me, the undersigned notary public, personally appeared Daniel J. Walsh, as Treasurer of Kadant Inc., the sole member of Kadant Black Clawson LLC, the sole member of Sundance Partners LLC, the sole member of Verus Lebanon, LLC and proved to me through satisfactory evidence of identification, which was my personal knowledge of the signatory, to be the person whose name is signed on the preceding or attached document, and acknowledged to me that she/he signed it voluntarily for its stated purpose as the free act and deed of Kadant Inc., the sole member of Kadant Black Clawson LLC, the sole member of Sundance Partners LLC, the sole member of Verus Lebanon, LLC.

/s/ Stacy D. Krause

Notary Public

My commission expires:

[Notary Seal]

*Mortgage and Security Agreement (OH)*  
*Signature Page*

---

EXHIBIT A

Situated in the City of Lebanon, County of Warren and State of Ohio, and being more particularly described as follows:

Being Lot Numbered 4297-A Kingsview Subdivision, Section Five, being a replat of Lot Number 4297, Plat Book 19, Page 11, Kingsview Subdivision Section One and as set forth in Plat Book 91, Page 39, of the Warren County Plat Records.

Property Address: 1425 Kingsview Drive, Lebanon, Ohio 45036

Parcel No.: 12-08-403-008

*Mortgage and Security Agreement (OH)*  
*Exhibit A*

---

EXHIBIT B

(Permitted Encumbrances)

Those matters set forth in Schedule B, Part I of the Mortgagee's Policy of Title Insurance issued by Commonwealth Land Title Insurance Company to the Mortgagor with respect to this Mortgage.