

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
--- EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 1997

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
--- EXCHANGE ACT OF 1934

For the transition period from

Commission File Number 0-18277

VICOR CORPORATION

(Exact name of registrant as specified in its charter)

Delaware 04-2742817
(State of Incorporation) (IRS Employer Identification Number)

23 Frontage Road, Andover, Massachusetts 01810
(Address of registrant's principal executive office)

(508) 470-2900
(Registrant's telephone number)

Indicate by check mark whether the registrant (1) has filed all reports required
to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during
the preceding 12 months (or for such shorter period that the registrant was
required to file such reports), and (2) has been subject to such filing
requirements for the past 90 days. Yes X No

Indicate the number of shares outstanding of each of the issuer's classes of
common stock as of June 30, 1997.

Common Stock, \$.01 par value 30,357,905
Class B Common Stock, \$.01 par value 12,235,261

## VICOR CORPORATION

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## VICOR CORPORATION

Condensed Consolidated Balance Sheet  
(In thousands)  
(Unaudited)

Assets -----	June 30, 1997 -----	December 31, 1996 -----
Current assets:		
Cash and cash equivalents	\$ 80,843	\$ 73,647
Accounts receivable, net	30,142	25,001
Inventories	19,777	21,129
Other current assets	2,890	2,765
	-----	-----
Total current assets	133,652	122,542
Property, plant and equipment, net	61,902	57,613
Notes receivable	9,010	3,795
Other assets	2,738	2,493
	-----	-----
	\$207,302	\$186,443
	=====	=====
Liabilities and Stockholders' Equity -----		
Current liabilities:		
Accounts payable	\$ 6,782	\$ 5,558
Accrued liabilities	9,421	8,433
	-----	-----
Total current liabilities	16,203	13,991
Deferred income taxes	1,708	1,708
Stockholders' equity:		
Preferred Stock	-	-
Class B Common Stock	122	123
Common Stock	336	331
Additional paid-in capital	92,146	85,842
Retained earnings	137,178	124,839
Treasury stock, at cost	(40,391)	(40,391)
	-----	-----
Total stockholders' equity	189,391	170,744
	-----	-----
	\$207,302	\$186,443
	=====	=====

Note: The balance sheet at December 31, 1996 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

See accompanying notes.

## VICOR CORPORATION

Condensed Consolidated Statement of Income  
(In thousands except per share data)  
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	1997	1996	1997	1996
Net revenues	\$39,718	\$36,702	\$77,657	\$72,508
Costs and expenses:				
Cost of revenue	19,302	16,855	37,179	33,402
Selling, general and administrative	7,483	6,772	14,930	13,007
Research and development	4,221	3,306	8,600	6,748
	-----	-----	-----	-----
	31,006	26,933	60,709	53,157
	-----	-----	-----	-----
Income from operations	8,712	9,769	16,948	19,351
Other income	1,230	893	2,332	1,883
	-----	-----	-----	-----
Income before income taxes	9,942	10,662	19,280	21,234
Provision for income taxes	3,579	3,944	6,941	7,856
	-----	-----	-----	-----
Net income	\$ 6,363	\$ 6,718	\$12,339	\$13,378
	=====	=====	=====	=====
Net income per common share	\$ 0.15	\$ 0.16	\$ 0.29	\$ 0.32
	=====	=====	=====	=====
Weighted average number of common shares and equivalents	43,120	42,567	42,835	42,437
	=====	=====	=====	=====

See accompanying notes.

## VICOR CORPORATION

Condensed Consolidated Statement of Cash Flows  
(In thousands)  
(Unaudited)

	Six Months Ended	
	June 30, 1997	June 30, 1996
	-----	-----
Operating activities:		
Net income	\$ 12,339	\$ 13,378
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,253	4,082
(Gain) loss on disposal of equipment	(8)	3
Change in current assets and liabilities, net	(1,702)	(5,830)
	-----	-----
Net cash provided by operating activities	14,882	11,633
Investing activities:		
Additions to property, plant and equipment	(8,406)	(6,445)
Proceeds from sale of equipment	9	16
Increase in notes receivable	(5,215)	(1,162)
Increase in other assets	(382)	(236)
	-----	-----
Net cash used in investing activities	(13,994)	(7,827)
Financing activities:		
Tax benefit relating to stock option plans	530	850
Proceeds from issuance of Common Stock	5,778	479
Acquisition of treasury stock	-	(8,812)
	-----	-----
Net cash provided by (used in) financing activities	6,308	(7,483)
	-----	-----
Net increase (decrease) in cash and cash equivalents	7,196	(3,677)
Cash and cash equivalents at beginning of period	73,647	65,244
	-----	-----
Cash and cash equivalents at end of period	\$ 80,843	\$ 61,567
	=====	=====

See accompanying notes.

## VICOR CORPORATION

Notes to Condensed Consolidated Financial Statements  
June 30, 1997  
(Unaudited)

## 1. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

In the opinion of management, all adjustments (consisting of only normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the three- and six-month periods ended June 30, 1997 are not necessarily indicative of the results that may be expected for the year ended December 31, 1997. For further information, refer to the consolidated financial statements and notes thereto included in the Company's audited financial statements for the year ended December 31, 1996, contained in the Company's annual report filed on Form 10-K (File #0-18277) with the Securities and Exchange Commission.

## 2. NET INCOME PER SHARE

Net income per common share is based on the weighted average number of shares of common shares and common share equivalents.

In February 1997, the Financial Accounting Standards Board issued Statement No. 128, "Earnings per Share," which is effective for the Company on December 31, 1997. At that time, the Company will be required to change the method currently used to compute earnings per share and to restate all prior periods. Under the new requirements for calculating primary earnings per share, the dilutive effect of stock options will be excluded. There is not expected to be any material change to either primary or fully diluted net income per share for the quarters or the six months ended June 30, 1997 and 1996 as a result of the new method.

## 3. INVENTORIES

Inventories are valued at the lower of cost (determined using the first-in, first-out method) or market. Costs associated with the long-term contract for the sale of automated manufacturing line equipment are included in inventories reduced by amounts identified with revenues recognized under the contract. Inventories were as follows as of June 30, 1997 and December 31, 1996 (in thousands):

	June 30, 1997 -----	December 31, 1996 -----
Raw materials .....	\$12,682	\$12,627
Work-in-process .....	3,179	2,290
Finished goods .....	3,915	6,212
Unbilled costs .....	1	-
	-----	-----
	\$19,777	\$21,129
	=====	=====

## VICOR CORPORATION

Notes to Condensed Consolidated Financial Statements  
June 30, 1997  
(Continued)

## 4. MORTGAGE NOTE RECEIVABLE

In May 1997, the Company received a promissory note in the amount of \$7,500,000 from an unrelated third party in exchange for \$5,000,000 in cash plus the termination of an existing note in the amount of \$2,500,000. The note bears interest at 9% and is due in May 2002. The note is secured by a mortgage on certain real estate and by the assignment of certain leases and other contracts.

## 5. IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

In June 1997, the FASB issued Statement No. 130, "Reporting Comprehensive Income," and Statement No. 131, "Disclosures About Segments of an Enterprise and Related Information." Statement No. 130 establishes standards for the reporting and display of comprehensive income and its components. Statement No. 131 establishes standards for the way that public companies report information about operating segments in financial statements. This Statement supersedes Statement No. 14, "Financial Reporting for Segments of a Business Enterprise," but retains the requirements to report information about major customers. Statements 130 and 131 are effective for the Company in fiscal 1998. The Company does not believe that the adoption of these Statements will have a material effect on the Company's financial statements.

## VICOR CORPORATION

Management's Discussion and Analysis of  
Financial Condition and Results of Operations  
June 30, 1997

Except for historical information contained herein, some matters discussed in this report constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Actual results could differ materially from those projected in the forward-looking statements as a result of the risk factors set forth in this report and in the Company's Annual Report on Form 10-K for the year ended December 31, 1996. Reference is made in particular to the discussions set forth below in this Report under "Management's Discussion and Analysis of Financial Condition and Results of Operations," and set forth in the Annual Report on Form 10-K under Item 1 -- "Business -- Next-Generation Automated Manufacturing Line," "--Competition," "--Patents," and "--Licensing," and under Item 7 -- "Management's Discussion and Analysis of Financial Condition and Results of Operations."

## Results of Operations

- - - - -

Three months ended June 30, 1997, compared to three months ended June 30, 1996

- - - - -

Net revenues for the second quarter of 1997 were \$39,718,000, an increase of \$3,016,000 (8.2%) as compared to \$36,702,000 for the same period a year ago. The increase in net revenues was primarily due to an increase of unit shipments of standard and custom products of approximately \$4,400,000, offset by a reduction in license income of approximately \$1,100,000.

Gross margin increased \$569,000 (2.9%) to \$20,416,000 from \$19,847,000, but decreased as a percentage of net revenues from 54.1% to 51.4%. The primary components of the increase in gross margin were changes in the revenue mix.

Selling, general and administrative expenses were \$7,483,000 for the period, an increase of \$711,000 (10.5%) over the same period in 1996. As a percentage of net revenues, selling, general and administrative expenses increased to 18.8% compared to 18.5% in 1996. The principal components of the \$711,000 increase were \$470,000 (19.3%) of increased compensation expense due to growth in staffing levels of selling and administrative personnel; \$142,000 (125.1%) of increased legal expenses; \$84,000 (10.0%) of increased advertising expenses; and \$84,000 (8.0%) of increased sales commission expense.

Research and development expenses increased \$915,000 (27.7%) to \$4,221,000 and increased as a percentage of net revenues to 10.6% from 9.0%. The principal components of the \$915,000 increase were \$484,000 (25.0%) of increased compensation expense due to growth in staffing levels of engineering personnel and \$148,000 (30.7%) of increased project material costs. The Company continues work on its next-generation products. The Company does not expect revenues or earnings from this new product family to be material over the next several quarters. See also the discussion under "Liquidity and Capital Resources."

Other income increased \$337,000 (37.7%) from the same period a year ago, to \$1,230,000. Other income is primarily comprised of interest income derived from cash and cash equivalents, short-term investments, and notes receivable associated with the Company's real estate transactions in Andover, Massachusetts. Interest income increased primarily due to an increase in cash balances earning interest.

Income before income taxes was \$9,942,000, a decrease of \$720,000 (6.8%) compared to the same period in 1996. As a percentage of net revenues, income before income taxes decreased from 29.1% to 25.0% primarily due to the increase in operating expenses as discussed above.

Net income per share for the second quarter of 1997 was \$.15, compared to \$.16



for the second quarter of 1996, a decrease of \$.01 (6.3%).

## VICOR CORPORATION

Management's Discussion and Analysis of  
Financial Condition and Results of Operations  
June 30, 1997  
(continued)

Six months ended June 30, 1997, compared to six months ended June 30, 1996  
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Net revenues for the first six months of 1997 were \$77,657,000, an increase of \$5,149,000 (7.1%) as compared to \$72,508,000 for the same period a year ago. The increase in net revenues was primarily due to an increase of unit shipments of standard and custom products of approximately \$5,800,000, offset by a reduction in license income of approximately \$1,100,000.

Gross margin increased \$1,372,000 (3.5%) to \$40,478,000 from \$39,106,000, but decreased as a percentage of net revenues from 53.9% to 52.1%. The primary components of the increase in gross margin were changes in the revenue mix.

Selling, general and administrative expenses were \$14,930,000 for the period, an increase of \$1,923,000 (14.8%) over the same period in 1996. As a percentage of net revenues, selling, general and administrative expenses increased to 19.2% compared to 17.9% in 1996. The principal components of the \$1,923,000 increase were \$1,064,000 (22.8%) of compensation expense due to growth in staffing levels of selling and administrative personnel; \$401,000 (27.0%) of increased advertising expenses; \$184,000 (48.6%) of increased legal expenses; and \$139,000 (6.8%) of increased sales commission expense.

Research and development expenses increased \$1,852,000 (27.4%) to \$8,600,000 and increased as a percentage of net revenues to 11.1% from 9.3%. The principal components of the \$1,852,000 increase were \$1,036,000 (27.2%) of compensation expense due to growth in staffing levels of engineering personnel and \$264,000 (22.7%) of increased project material costs.

Other income increased \$449,000 (23.8%) to \$2,332,000. Other income is primarily comprised of interest income derived from cash and cash equivalents, short-term investments, and notes receivable associated with the Company's real estate transactions in Andover, Massachusetts. Interest income increased primarily due to an increase in cash balances earning interest.

Income before income taxes was \$19,280,000, a decrease of \$1,954,000 (9.2%) compared to the same period in 1996. As a percentage of net revenues, income before income taxes decreased from 29.3% to 24.8% primarily due to the increase in operating expenses as discussed above.

Net income per share for the first six months of 1997 was \$.29, compared to \$.32 for the first six months of 1996, a decrease of \$.03 (9.4%).

#### Liquidity and Capital Resources

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At June 30, 1997 the Company had \$80,843,000 in cash and cash equivalents. The ratio of current assets to current liabilities was 8.2:1 compared to 8.8:1 at December 31, 1996. Working capital increased \$8,898,000, from \$108,551,000 at December 31, 1996 to \$117,449,000 at June 30, 1997. The primary factor affecting the working capital increase was an increase in cash of \$7,196,000 during the first six months of 1997. The increase in cash was primarily attributable to cash derived from operating activities of \$14,882,000; the net proceeds from the issuance of Common Stock upon the exercise of stock options, and the related income tax benefit derived from such issuance, of \$6,308,000. The primary uses of cash for the first six months of 1997 were for additions to property and equipment of \$8,406,000 and for increased notes receivable of \$5,215,000. See the discussion under "Notes to Condensed Consolidated Financial Statements," Item 4--"Mortgage Note Receivable."

## VICOR CORPORATION

Management's Discussion and Analysis of  
Financial Condition and Results of Operations  
June 30, 1997  
(continued)

The Company plans to make continuing investments in manufacturing equipment, much of which is built internally. The internal construction of manufacturing machinery is a practice which the Company expects to follow over the next several years.

In 1995, the Company announced that it had started prototype production on a new automated manufacturing line specifically designed to manufacture next-generation products. In the fourth quarter of 1996, the Company began introducing selected models of its next-generation product families. While management believes that the initiation of limited production on the new manufacturing line and the introduction of selected models of its next-generation product families are important milestones, there can be no assurance that problems will not substantially delay the ultimate general introduction of the complete product line, require modification of product specifications, or prevent attainment of the anticipated capacity of the new manufacturing line. Significant revenues from the sale of any products in the Company's next-generation product line are not expected to occur for several quarters.

In February, 1996, the Board of Directors of the Company authorized the repurchase of the Company's Common Stock up to an aggregate amount of approximately \$19,500,000, including amounts remaining under a prior authorization. The plan authorized the Company to make such repurchases from time to time in the open market or through privately negotiated transactions. The timing of this program and the amount of the stock that may be repurchased is at the discretion of management based on its view of economic and financial market conditions. There were no repurchases in the six months ended June 30, 1997.

The Company has an unused line of credit with a bank under which the Company may borrow up to \$4,000,000 on a revolving credit basis. The Company believes that cash generated from operations and the total of its cash and cash equivalents, together with other sources of liquidity, will be sufficient to fund planned operations and capital equipment purchases for the foreseeable future. At June 30, 1997, the Company had approximately \$700,000 of capital expenditure commitments.

The Company does not consider the impact of inflation on its business activities to have been significant to date.

## VICOR CORPORATION

Part II - Other Information  
June 30, 1997Item 1 - Legal Proceedings  
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The Company is involved in certain litigation incidental to the conduct of its business. While the outcome of lawsuits against the Company cannot be predicted with certainty, management does not expect any current litigation to have a material adverse impact on the Company.

Item 2 - Changes in Securities  
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Not applicable.

Item 3 - Defaults Upon Senior Securities  
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Not applicable.

Item 4 - Submission of Matters to a Vote of Security-Holders  
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The Annual Meeting of Stockholders of the Company was held on June 26, 1997. All nominees of the Board of Directors of the Company were re-elected for a one year term. Votes were cast in the election of the directors as follows:

Nominee -----	Votes for -----	Votes Withheld -----
Patrizio Vinciarelli	136,973,794	392,623
Richard E. Beede	136,971,594	394,823
Estia J. Eichten	136,972,594	393,823
Jay M. Prager	136,971,594	394,823
David T. Riddiford	136,972,994	393,423
M. Michael Ansour	136,973,094	393,323

Item 5 - Other Information  
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Not applicable.

Item 6 - Exhibits and Reports on Form 8-K  
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- a. Exhibit 10.1 - \$7,500,000 Promissory Note to Vicor Corporation from Andover Park Realty Trust dated May 29, 1997
- Exhibit 10.2 - Loan Agreement between Vicor Corporation and Andover Park Realty Trust dated May 29, 1997
- Exhibit 10.3 - Mortgage and Security Agreement to Vicor Corporation from Andover Park Realty Trust dated May 29, 1997
- b. Reports on Form 8-K - none.

## SIGNATURES

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

## VICOR CORPORATION

Date: August 8, 1997

By: /s/ Patrizio Vinciarelli

-----  
Patrizio Vinciarelli  
President and Chairman  
of the Board

Date: August 8, 1997

By: /s/ Mark A. Glazer

-----  
Mark A. Glazer  
Vice President of Finance  
and Administration

EXHIBIT 10.1

## PROMISSORY NOTE

\$7,500,000.00

May 29, 1997

FOR VALUE RECEIVED, WILLIAM J. CALLAHAN and WILLIAM J. CALLAHAN, JR., Trustees of ANDOVER PARK REALTY TRUST, u/d/t dated June 25, 1986 and recorded with the Essex County (North District) Registry of Deeds in Book 2226, Page 284 (the "Borrower") having a mailing address of P. O. Box 269, Bedford, MA 01730, promise to pay to the order of VICOR CORPORATION, a Delaware corporation (together with any successor holder or holders of this Note, the "Lender") at its office at 23 Frontage Road, Andover, MA 01810, or such other place as Lender may designate, the principal sum of Seven Million Five Hundred Thousand (\$7,500,000.00) Dollars, or so much thereof as shall be advanced hereunder, together with interest thereon, as hereinafter set forth.

Interest on the principal balance of this Note from time to time outstanding shall accrue from the date hereof at a monthly rate of nine (9%) percent. Interest only shall be payable monthly, in arrears, on the first day of each month, in each calendar year. Interest shall be computed on the basis of a three hundred sixty (360) day year and shall be paid for the actual number of days on which principal is outstanding.

In any event, the entire outstanding principal balance of this Note, together with any accrued interest and other charges as may be due hereunder, shall be paid on May 29, 2002 (the "Maturity Date").

In the event that any regularly scheduled payment of interest due hereunder is not paid within ten (10) days after the date it is due, the Lender shall have the right, in addition to any other rights hereunder, to collect a late charge as compensation for increased costs of administering such late payment. Such late charge shall be in an amount equal to three (3%) percent of the amount of such late payment, and shall be due and payable upon demand.

In the event that any payment due hereunder is not paid within ten (10) days after the date it is due or upon a default under the mortgage securing this Note (the "Mortgage") or under any other instrument executed by the Borrower in connection with the loan evidenced by this Note (together with this Note and the Mortgage, the "Loan Documents") which default is not cured within the applicable grace period, if any, the Lender at its option, may declare immediately due and payable the entire outstanding balance of principal and interest, together with all other charges to which the Lender may be entitled. If this Note is so accelerated or any amounts due hereunder are not paid on the Maturity Date, all amounts due hereunder shall, after such acceleration or such Maturity Date, as the case may be, bear interest at a rate which shall equal the Prime Rate, plus five (5) percentage points, until paid.

The outstanding balance of principal due hereunder may be prepaid in full, but not in part, without penalty, only after the expiration of twenty-four (24) months from the date of this Note and the sale of the premises described in the Mortgage. The Lender may at its sole and exclusive option require a prepayment of One Million Five Hundred Thousand (\$1,500,000) Dollars from the Borrower upon the sale or transfer of Lot 6A Federal Street, Woodland Park, Andover, Massachusetts as set forth in the Loan Documents, such payment, if required, shall be made without penalty during the Term or the Extended Term (hereinafter defined) of this Note.

In the event the Borrower has not defaulted under the Loan Documents, at the option of the Borrower, the term of this Note may be extended for an additional twenty-four (24) months (the "Extended Term") by written notice delivered to the Lender after January 1, 2002 and prior to February 15, 2002. The annual rate of interest payable under this Note during the Extended Term shall be calculated on May 29, 2002 at the greater of eleven (11%) percent or the Prime Rate, plus two (2%) percent.

As used herein, the term Prime Rate shall mean the rate of interest (or the higher of a range of rates) announced or published by The Wall Street Journal from time to time as the Prime Rate as determined based upon corporate loans on at least 75% of the nation's largest banks. In the event the Prime Rate is no longer published or announced or becomes unascertainable for any reason, the Lender shall designate a comparable reference rate which shall be deemed the

Prime Rate hereunder.

Any notice required or permitted to be delivered hereunder shall be in writing and shall be deemed to be delivered on the earlier of (i) the date received, or (ii) the date of delivery, refusal, or non-delivery indicated on the return receipt, if deposited in a United States Postal Service depository, postage prepaid, sent registered or certified mail, return receipt requested, addressed to the party to receive the same at the address of such party set forth at the beginning of this Note, or at such other address as may be designed in a notice delivered or mailed as herein provided.

The obligations of Borrower hereunder, if more than one, shall be joint and several.

The Lender agrees that except as otherwise provided in any Guaranty of this Note or the Loan Documents, it shall proceed only against the premises described in the Mortgage and other collateral given to secure this Note and that neither Borrower nor any trustee or beneficiary of Borrower shall be personally liable for any amounts due hereunder or under the other Loan Documents for any deficiency which may arise upon a foreclosure of the Mortgage or the liquidation of other collateral given to secure this Note; provided that this provision shall not diminish in any way the powers of the Lender to foreclose the Mortgage and to exercise its other rights under the Loan Documents and at law in the event of a default; and provided further that the Borrower and the Borrower's trustees and beneficiaries shall be personally liable to the Lender to the same extent as they would have been liable absent the foregoing (a) for fraud or willful misrepresentation, or (b) for the retention of any rental or other sums with respect to the premises described in the Mortgage, net of operating and tax expenses actually paid to third parties, which are received at any time after the earlier of (i) the acceleration of this Note, (ii) a default by the Borrower under any of the Loan Documents which is not cured within the applicable grace period, or (iii) if notice of default is required under the Loan Documents, the date such notice is deemed to be delivered to Borrower, or (c) if the Borrower or any successor entity files a petition for reorganization or liquidation or for protection from creditors under the United States Bankruptcy Code or any similar state law.

The Borrower agrees to pay all charges (including reasonable attorney's fees) of Lender in connection with the collection and/or enforcement of this Note or any other Loan Document or in protecting or preserving the security for this Note, including without limitation, any costs incurred in connection with pursuing its rights in any bankruptcy proceeding affecting the Borrower, whether or not suit is brought against the Borrower.

The failure of the Lender at any time to exercise any option or right hereunder shall not constitute a waiver of the Lender's right to exercise such option or right at any other time.

The Borrower and all endorsers and guarantors of this Note hereby jointly and severally waive presentment, demand, notice, protest and all other suretyship defenses generally and agree that (i) any renewal, extension or postponement of the time of payment or any other indulgence, (ii) any modification, supplement or alteration of any of the Borrower's obligations undertaken in connection with this Note or any of the other Loan Documents, or (iii) any substitution, exchange or release of collateral or the addition or release of any person or entity primarily or secondarily liable, may be effected without notice to the Borrower or any endorser or guarantor of the Borrower's obligations, and without releasing the Borrower or such endorser or guarantor from any liability hereunder.

The Borrower and all endorsers and guarantors of this Note hereby jointly and severally agree that this Note constitutes a written consent to waiver of trial by jury. The Borrower and all endorsers and guarantors of this Note hereby jointly and severally authorize and empower the Lender in the name, place and stead of the Borrower and any endorser or guarantor, to file this Note with the clerk or judge of any court of competent jurisdiction as a statutory written consent to waiver of trial by jury.

This Note shall be governed by, construed, and enforced in accordance with the laws of The Commonwealth of Massachusetts. If any provision of this Note is held to be invalid or unenforceable by a court of competent jurisdiction, the other provisions of this Note shall remain in full force and effect. If the payment of any interest due hereunder would subject the Lender to any penalty under applicable law, then the payments due hereunder shall be automatically reduced to what they would be at the highest rate authorized under applicable law.



This Note is secured by a Mortgage and Security Agreement covering real estate and buildings located at 300 Federal Street, Andover, Essex County, Massachusetts, and recorded with the Essex County (North District) Registry of Deeds, a Conditional Assignment of Leases and Rents, a Collateral Assignment of Contracts, Licenses, Permits, Agreements, Warranties and Approvals, a Loan Agreement, and a Hazardous Material Indemnity Agreement.

This Note shall have the effect of an instrument under seal.

Witness:  
  
/s/ Mark S. Raffa  
-----

Borrower:  
ANDOVER PARK REALTY TRUST  
  
/s/ William J. Callahan, Trustee  
-----  
By: William J. Callahan,  
Trustee as aforesaid, and not individually

Witness:  
  
/s/ Mark S. Raffa  
-----

Borrower:  
ANDOVER PARK REALTY TRUST  
  
/s/ William J. Callahan Jr., Trustee  
-----  
By: William J. Callahan, Jr.,  
Trustee as aforesaid, and not individually

## LOAN AGREEMENT

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AGREEMENT made this 29th day of May, 1997 by and between VICOR CORPORATION, a Delaware corporation having a place of business at 23 Frontage Road, Andover, MA 01810 (the "Lender") and WILLIAM J. CALLAHAN and WILLIAM J. CALLAHAN, JR., Trustees (the "Trustees") of ANDOVER PARK REALTY TRUST (the "Trust") established under Declaration of Trust dated June 25, 1986 and recorded with the Essex County (North District) Registry of Deeds Book 2226, Page 284 with a mailing address of P. O. Box 269, Bedford, MA 01730 (jointly and/or severally, the "Borrower").

## WHEREAS:

1. The Borrower is named in a certain Letter of Intent dated April 17, 1997 as issued by the Lender (the "Loan Commitment") relating to terms and conditions for a loan advance in the original principal amount of \$7,500,000.00 with interest thereon (the "Loan"), to be granted to the Borrower;
2. The Borrower accepted the Loan Commitment and wishes to proceed with the Loan as required by the Loan Commitment;
3. The Borrower and the Lender are desirous of reducing to writing their understanding respecting the Loan as set forth hereinbelow and subject to the terms and conditions herein;

NOW, THEREFORE, in consideration of the mutual promises hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged and shall be conclusively presumed, the parties agree as follows:

## A. LOAN ADVANCE.

1. AMOUNT ADVANCED. The Lender shall advance to the Borrower the principal amount of \$7,500,000.00 as set forth hereinbelow and subject to the terms hereof.
2. PURPOSES. The advances shall be for the purpose of refinancing the land, building and improvements thereon known as and numbered Lot 3, 300 Federal Street, Andover, Massachusetts (hereinafter, the "Mortgaged Premises").

## B. LOAN DOCUMENTS &amp; WARRANTIES.

1. LOAN COMMITMENT. The Loan Commitment is attached hereto and incorporated herein by reference as Exhibit A.
2. TERM PROMISSORY NOTE. Simultaneously with the execution of this Loan Agreement, the Borrower shall execute and deliver a Promissory Note (the "Note") in the form attached hereto and incorporated herein by reference as Exhibit B.
3. MORTGAGE. As security for the Note, the Borrower shall execute and deliver simultaneously herewith a Mortgage and Security Agreement (the "Mortgage") in favor of the Lender relating to the Mortgaged Premises, which shall be a duly recorded first mortgage lien on the Mortgaged Premises. The Mortgage shall be in the form attached hereto and incorporated herein by reference as Exhibit C.
4. CONDITIONAL ASSIGNMENT OF LEASES AND RENTS. Simultaneously with the execution of this Loan Agreement and as additional security for the Note, the Borrower shall execute and deliver a Conditional Assignment of Leases and Rents relating to the Mortgaged Premises and the Borrower has executed UCC Financing Statements respecting the Mortgaged Premises in favor of the Lender, said Conditional Assignment of Leases and Rents and UCC Financing Statements to be in the form attached hereto and incorporated herein by reference as Exhibit D.

5. COLLATERAL ASSIGNMENT OF CONTRACTS, LICENSES, PERMITS, AGREEMENTS, WARRANTIES AND APPROVALS. Simultaneously with the execution of this Loan Agreement and as additional security for the Note, the Borrower shall execute and deliver a Collateral Assignment of Contracts, Licenses, Permits, Agreements, Warranties and Approvals relating to the Mortgaged Premises in the form attached hereto and incorporated herein by reference as Exhibit "E".

6. HAZARDOUS MATERIALS INDEMNITY AGREEMENT. Simultaneously with the execution of this Loan Agreement and as additional security for the Note, Borrower shall execute and deliver a Hazardous Materials Indemnity Agreement in the form attached herein and incorporated herein by reference as Exhibit "F".

7. REAL ESTATE TAXES. Simultaneously with the execution of this Loan Agreement, the Borrower shall deliver to the Lender evidence of the payment of all real estate taxes for the Mortgaged Premises, which evidence shall be in a form acceptable to the Lender in its sole reasonable discretion.

8. TRUSTEES' AND BENEFICIARIES' CERTIFICATE. The Borrower represents and warrants that the Trustees have the requisite authority to execute and deliver this Loan Agreement and its exhibits on behalf of the Trust. The Borrower expressly agrees to deliver simultaneously herewith a Trustees' Certificate and Authority and Beneficiaries' Certificate and Direction evidencing the authority of the Trustees to execute this Loan Agreement and its exhibits. Said documents shall be in the form attached hereto and incorporated herein by reference collectively as Exhibit G.

9. LIENS/MUNICIPAL CHARGES. The Borrower represents and warrants that all water and sewer use charges, and other municipal charges in connection with the Mortgaged Premises have been paid, that all fees and assessments have been paid, and that there are no other liens or encumbrances against the Mortgaged Premises.

10. INSURANCE/LOSS PAYEE.

(a) Simultaneously with the execution of this Loan Agreement, the Borrower shall provide to the Lender a fire, casualty, flood, hazard and liability insurance policy or policies for the Mortgaged Premises with such coverage as the Lender may reasonably require. In no event shall the amount of such insurance be less than the principal amount of the Note. The Lender shall be named a loss payee on said policy or policies.

(b) The Lender reserves the right to require such additional insurance coverage as it may reasonably deem necessary.

(c) The Borrower shall furnish upon request evidence that the then current premiums for such fire, casualty, flood, hazard and liability insurance have been paid. All policies shall be written in amounts and with companies satisfactory to the Lender, shall be maintained throughout the term of the Note, and shall contain such provisions as the Lender deems necessary or desirable to protect its interest. All policies shall contain a provision requiring at least thirty (30) days advance notice to the Lender before any policy is canceled or modified.

(d) Any failure on the part of the Lender to secure physical evidence of any insurance required herein shall not relieve the Borrower of any such responsibilities.

11. TITLE INSURANCE. The Borrower shall provide to the Lender a mortgagee's title insurance policy containing only those exceptions as may be acceptable to the Lender's counsel.

12. APPRAISALS. The Lender, in its reasonable sole discretion, may require updated appraisals for the Mortgaged Premises pledged by the Borrower upon any event of default under the loan documents, upon any change in the market conditions for the Mortgaged Premises or upon any event which affects the value of the Premises, including the loss or replacement of any tenant for said Mortgaged Premises as security for its undertakings to the Lender under this Agreement. The appraisal costs shall be paid by the Borrower.

13. DELIVERY OF TRUST DOCUMENTS/TRANSFER OF OWNERSHIP. The Borrower shall deliver simultaneously herewith or prior hereto a certified copy of its organizational documents including, without limitation, the Declaration of Trust. The Borrower for itself and on behalf of the beneficiaries of the Trust further warrants and represents that they shall not transfer, convey, sell, pledge or otherwise dispose of any interest, legal or beneficial, in the Trust without the prior written consent of the Lender, except in accordance with Paragraph C.3. hereof.

C. CONDITIONS PRECEDENT & SUBSEQUENT.

1. FINANCIAL REPORTING. The Borrower agrees and represents that it shall deliver to the Lender the following financial information:

(a) Updated rent rolls, profit and loss statements, balance sheet and tax returns of the Trust, if any, as may be requested by the Lender during the term of this Loan Agreement, said documents to be in a form acceptable to the Lender; and

(b) In the event of a default under this Agreement or any of its exhibits, any and such further financial information which the Lender may request during the term of this Agreement.

2. OBLIGATIONS. The Borrower acknowledges and agrees that the Mortgage and Security Agreement, UCC Financing Statements, Conditional Assignment of Leases and Rents, Collateral Assignment of Contracts, Licenses, Permits, Agreements, Warranties and Approvals, Hazardous Materials Indemnity Agreement, and all other documents and exhibits set forth in this Agreement act as security for the fulfillment of all obligations and undertakings due to the Lender from the Borrower now existing or hereinafter arising.

3. GUARANTIES. The Borrower agrees to obtain unconditional and absolute guaranties of the Note by any company, entity, or individual which or who acquires, after the date of the Note, any legal interest in Lot 6A or any other portion of the project owned by the Trust and known as Woodland Park, Federal Street, Andover, Massachusetts.

4. ENVIRONMENTAL INDEMNIFICATION. The Trust agrees to indemnify the Lender from losses or damages relating to any and all environmental or hazardous waste matters pertaining to the Mortgaged Premises. The Trust represents to the Lender that, with respect to the Mortgaged Premises, there is no oil or hazardous material, as such terms are defined by Massachusetts General Laws, Chapter 21E, and applicable federal regulations, present on or in the Mortgaged Premises and that there is no threat of release of such oil or hazardous materials on or in the Mortgaged Premises.

5. DEFAULTS. The Lender's undertakings under this Agreement and its exhibits shall automatically terminate and the Borrower shall be deemed in default of this Agreement upon the earlier to occur of: (a) the commencement of foreclosure proceedings or litigation by any other secured party respecting the Lender's collateral; (b) the filing of a petition for relief by or against the Borrower under the Bankruptcy Code; (c) any assignment or bulk sale by the Borrower for the benefit of creditors; (d) the failure of the Borrower to maintain the financial covenants set forth in this Agreement; (e) loss, theft, damage, destruction, sale or encumbrances to or of any collateral, or the making of any levy, seizure or attachment thereof or thereon; (f) change in the condition or affairs (financial or otherwise) of the Borrower which, in the reasonable opinion of the Lender, will impair its security or increase its risk, including specifically the loss of a tenant in the Mortgage Premises and the failure by the Borrower to replace such tenant within one hundred twenty (120) days with a tenant acceptable to the Lender, in its sole and exclusive discretion, the Lender shall not unreasonably withhold its approval of any replacement tenant, or the reduction of twenty-five (25%) percent or more in the total rental income of the Mortgaged Premises and the continuance of that reduction for one hundred twenty (120) days or more, during the term of this Agreement as the same may be extended; or (g) any default by the Borrower under any of the terms and conditions of this Agreement and any of its exhibits.

6. CUMULATIVE RIGHTS. The Lender's rights and remedies under this Agreement shall be in addition to and not in limitation of all of the Lender's rights and remedies under the terms and provisions of any of the exhibits to this Agreement, the Loan Commitment or otherwise.

7. PAROL EVIDENCE. This Agreement represents the full understanding between the parties hereto with respect to the subject matters contained herein. No collateral representations have been made or authorized by the Lender, its agents, employees and legal representatives as an inducement for the execution of this Agreement or its exhibits by any party hereto. Any amendment or modification of the terms hereof must be in writing and signed by all parties hereto. The Borrower agrees and acknowledges that it shall execute and deliver upon request any and all documents necessary to effectuate or to make more secure the Lender's security interests in the collateral pledged to it by the Borrower.

8. ATTORNEYS' FEES. Simultaneously herewith, the Borrower shall pay to the Lender its costs and expenses, including reasonable attorneys' fees, incurred by the Lender to date in connection with this Agreement. In addition, the Borrower acknowledges and agrees that it is responsible for all costs and expenses, including without limitation, reasonable attorneys' fees, incurred by the Lender in connection with the enforcement of any rights or remedies hereunder, now existing or hereafter arising.

9. NOTICES. All notices respecting the foregoing shall be sent in writing by first class mail, postage prepaid.

10. ADVICE OF COUNSEL. The parties acknowledge that each of them has had the opportunity to obtain independent legal counsel respecting this Agreement, its exhibits, and any and all matters contained therein prior to the execution of this Agreement and its exhibits, and that each of the parties has freely and willingly consented to the terms of this Agreement, its exhibits, and the matters contained therein.

11. MERGER. This Agreement and its exhibits constitute the full and complete understanding between the parties with respect to the matters contained herein, shall be binding upon their respective successors, heirs and assigns, and shall take effect as a sealed instrument.

12. GOVERNING LAW. This Agreement and its exhibits shall be governed and construed in accordance with the laws of the Commonwealth of Massachusetts.

13. NON-WAIVER. No delay or failure by any party to exercise any right under this Agreement, and no partial or single exercise of that right, shall constitute a waiver of that or any other right, unless otherwise expressly provided herein.

14. HEADINGS. Headings in this Agreement are for convenience only and shall not be used to interpret or construe its provisions.

15. COUNTERPARTS. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

SIGNED AS AN INSTRUMENT UNDER SEAL THIS 29TH DAY OF MAY, 1997.

VICOR CORPORATION

/s/ John F. Gallant  
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Witness

By: /s/ Patrizio Vinciarelli  
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Patrizio Vinciarelli, its  
President

/s/ John F. Gallant

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Witness

By: /s/ Mark A. Glazer

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Mark A. Glazer, its Vice  
President of Finance

ANDOVER PARK REALTY TRUST

/s/ Mark S. Raffa

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Witness

By: /s/ William J. Callahan, Trustee

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WILLIAM J. CALLAHAN,  
Trustee

/s/ Mark S. Raffa

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Witness

By: /s/ William J. Callahan Jr., Trustee

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WILLIAM J. CALLAHAN, JR.  
Trustee

MORTGAGE AND SECURITY AGREEMENT  
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This Mortgage and Security Agreement (this "Mortgage") is made as of the 29th day of May, 1997, by WILLIAM J. CALLAHAN and WILLIAM J. CALLAHAN, JR., TRUSTEES OF ANDOVER PARK REALTY TRUST u/d/t dated June 25, 1986 and recorded in the Essex County (North District) Registry of Deeds, Book 2226, Page 284, (the "Mortgagor") having a mailing address of P.O. Box 269, Bedford, MA 01730 to VICOR CORPORATION, ("the Mortgagee"), a Delaware corporation having a place of business at 23 Frontage Road, Andover, MA 01810.

1. GRANT OF MORTGAGE. For consideration paid, the Mortgagor hereby grants to the Mortgagee with Mortgage Covenants, the land and buildings thereon, if any, located off Federal Street, Andover, Essex County, Massachusetts, shown as Lot 3 on that certain Definitive Subdivision Plan of Land recorded with the Essex County (North District) Registry of Deeds as Plan No. 10726, as more particularly described in Exhibit A attached hereto, together with any and all improvements now or hereafter situated thereon and all rents, issues and profits and other appurtenant rights associated with the ownership of such land (collectively, the "Real Property") to secure:

(i) the payment of Seven Million Five Hundred Thousand Dollars (\$7,500,000) with interest thereon as provided in the promissory note (the "Lot 3 Note") of the Mortgagor of even date payable to the order of the Mortgagee;

(ii) damages (including consequential damages) which arise as a result of the Mortgagor or any successor entity to the Mortgagor filing a petition for reorganization or liquidation or for protection from creditors under the United States Bankruptcy Code or any similar state law; and

(iii) the performance of all covenants and agreements contained in (a) this Mortgage, (b) the Lot 3 Note, (c) a certain Letter of Intent dated April 17, 1997 by and between the Mortgagor and the Mortgagee, (d) the Loan Agreement of even date, (e) Conditional Assignment of Leases and Rents of even date, (f) Collateral Assignment of Contracts, Licenses, Permits, Agreements, Warranties and Approvals, (g) Hazardous Material Indemnity Agreement, and (h) any other instrument now existing or hereafter entered into to provide additional security for the Lot 3 Note, as they may be amended (collectively, the "Loan Documents").

As further security for the Mortgagor's obligations, the Mortgagor hereby grants to the Mortgagee a security interest in all equipment (as defined in the Uniform Commercial Code), now or hereafter located on or intended to be used in connection with the Real Property (including fixtures); all insurance proceeds including interest payable in connection with any damage or loss to the Mortgaged Property, as hereinafter defined, all eminent domain awards made with respect to the Mortgaged Property, all licenses and permits for the use or occupancy of the Real Property, all trade names associated with the use or occupancy of the Real Property, all books and records relating to the Mortgagor's operation of the Real Property, all contracts, agreements and warranties, including rights to return of deposits, prepaid premiums or other payments, relating to the construction, use or occupancy of the Real Property, and all other personal property of the Mortgagor arising from, or now or hereafter relating to, located at or used in connection with the Real Property, including without limitation, all inventory, equipment, and other goods, documents, instruments, general intangibles, chattel paper, accounts and contract rights (each as defined in the Uniform Commercial Code), and the proceeds therefrom (collectively, the "Personal Property").

The Real Property and the Personal Property are referred to collectively as the "Mortgaged Property".

2. REPRESENTATIONS. The Mortgagor warrants and represents that (i) this Mortgage has been duly authorized, executed and delivered by and on behalf of the Mortgagor, (ii) the Mortgagor is duly existing and in good standing with all power, authority and legal right to engage in the transaction contemplated by this Mortgage and the Loan Documents, (iii) the execution and delivery of this Mortgage and the Loan Documents and the carrying out of the transaction contemplated thereby will not conflict with or result in a breach of the terms of any agreement or law or

order of any court or governmental body, (iv) there are no actions, suits or proceedings, pending or to the knowledge of the Mortgagor threatened before any court or other governmental body or agency, which would adversely affect the Mortgaged Property or the Mortgagor or the Mortgagor's ability to perform its obligations under this Mortgage or under the other Loan Documents, (v) the Mortgagor has no knowledge of any claim of violation of any applicable zoning, building, environmental and all other laws, ordinances and regulations relating to the use and occupancy of the Real Property, (vi) all necessary licenses and permits (other than licenses and permits which may be required for tenant improvements and alterations) for the use and occupancy of the Real Property have been issued and are in full force and effect, (vii) the improvements on the Real Property and the tangible Personal Property are in good working order and free from structural defects and (viii) the Mortgagor has no knowledge of any claim challenging the Mortgagor's title to the Mortgaged Property.

### 3. HAZARDOUS SUBSTANCES.

(a) The Mortgagor represents and warrants that except as customarily and lawfully used in connection with the construction and operation of the Mortgaged Property, it has never generated, stored or disposed of any hazardous substances, as defined herein, on the Mortgaged Property; that the Mortgagor is not aware of the generation, storage, disposal or release of such substances on the Mortgaged Property by anyone else; and that the Mortgagor is not aware of the generation, storage, disposal or release of such substances upon or into the real property adjoining or in the vicinity of the Mortgaged Property which through soil or groundwater migration could have come to be located at the Mortgaged Property. For the purposes of this Mortgage and the other Loan Documents, "hazardous substances" shall mean "oil" and "hazardous materials" as defined in M.G.L., Ch. 21E and "hazardous substances" as defined in the Comprehensive Environmental Response Compensation and Liability Act of 1980, 42 U.S.C., Section 9601, ET SEQ., as amended by the Superfund Amendments and Reauthorization Act of 1986, Pub. L. No. 99-499, 100 Stat. 1613, and as otherwise amended ("CERCLA"), and regulations adopted pursuant to such Acts or in any Hazardous Materials Laws, as hereinafter defined. The Mortgagor agrees not to release or dispose of any hazardous substances at the Mortgaged Property, nor to permit the same, at any time.

(b) The Mortgagor represents and warrants that to the best of Mortgagor's knowledge the Mortgaged Property currently complies and that the Mortgaged Property and the Mortgagor shall comply with all federal, state and local laws and regulations, including but not limited to M.G.L., Ch. 21E, CERCLA and the Resource Conservation and Recovery Act of 1976, 42 U.S.C., ss.ss.6901-6987, as each may be amended from time to time, and regulations promulgated pursuant to such Acts (such Acts and other similar laws and regulations are collectively referred to as the "Hazardous Materials Laws") relating to the storage, use, disposal, generation, transportation, or treatment of hazardous, toxic or radioactive matter, including but not limited to hazardous substances. The Mortgagor covenants to strictly comply with the requirements of all Hazardous Materials Laws and to immediately notify the Mortgagee of the presence, "release" or "threat of release" (as those terms are defined in M.G.L., Ch. 21E) of any hazardous substances at or from the Mortgaged Property or of any notice or claim received by it of any violation of any Hazardous Materials Laws.

(c) To the fullest extent permissible according to law, and without limiting any other rights or remedies of the Mortgagee, the Mortgagor unconditionally, absolutely and irrevocably agrees to defend, hold harmless and indemnify the Mortgagee and its officers, employees, agents and contractors against all damages (including consequential damages), claims, costs, losses, liabilities and expenses, including attorneys' fees and expenses, suffered or incurred by the Mortgagee due to the existence at any time of any hazardous substances at the Mortgaged Property or at any other property owned, occupied or operated by the Mortgagor or by any other person for whose conduct the Mortgagor is responsible, other than such claims, costs, liabilities and expenses arising out of the intentional acts or negligence of the Mortgagee, its agents, employees and independent contractors, including without limitation, any such claims, costs, losses, liabilities and expenses arising from the violation of any Hazardous Materials Laws or the imposition by any local, state or federal government or governmental agency, department or authority, of a lien, attachment or other encumbrance on any part of the Mortgaged Property or any other property then owned by the Mortgagor. The foregoing indemnification shall survive the satisfaction of the Mortgagor's obligations under the Loan Documents and the release, foreclosure or assignment of this Mortgage. In addition, the Mortgagee may (but shall not be obligated to), from time to time at the Mortgagee's expense, conduct such investigations as the Mortgagee deems reasonable to determine whether hazardous substances exist on any





part of the Mortgaged Property and to determine the source, quantity and type of such hazardous substances, if any, and the Mortgagor shall cooperate with the Mortgagee in conducting such investigations. Such investigations may include without limitation a detailed visual inspection of the Mortgaged Property, including all storage areas, storage tanks, drains and dry wells, as well as the taking of soil samples, surface water samples, and ground water samples and such other investigations or analyses as are necessary or appropriate in the Mortgagee's sole discretion for a complete assessment of the compliance of the Mortgaged Property and the use and operation thereof with all of the Mortgaged Property and the use and operation thereof with all Hazardous Materials Laws. The Mortgagee and its officers, employees, agents and contractors shall have and are hereby granted the right to enter upon the Mortgaged Property for the foregoing purposes.

(d) If the presence or release of hazardous substances at or from the Mortgaged Property has resulted in contamination or determination of any portion of the Mortgaged Property or any other affected property resulting in a level of contamination greater than the levels permitted or established by any governmental agency having jurisdiction, then the Mortgagor shall promptly take any and all action necessary to clean up such contamination to the extent required by any governmental authority having jurisdiction or as a condition to the issuance or continuing effectiveness of any governmental approval or any insurance policy that relates to the Mortgaged Property or the use thereof. The Mortgagor shall further be solely responsible for, and shall defend, indemnify and hold the Mortgagee and its officers, employees, agents and contractors harmless from and against all damages (including consequential damages), claims, costs, losses, liabilities and expenses, including attorneys' fees and expenses, of whatever nature, on account of, arising out of or in connection with any removal, cleanup and restoration work required to return the Mortgaged Property and any other affected property of whatever nature to their conditions existing prior to the presence or release of the hazardous substances; provided, however, that the foregoing indemnity shall not apply if the presence or release of hazardous substances is caused by the Mortgagee, its agents, employees and independent contractors.

(e) Without limiting the generality of the foregoing, the Mortgagor, and the Mortgaged Property and all alterations thereof, shall comply with all local, state and federal laws and regulations now or hereafter in effect and applicable relating to the presence, abatement, removal, disposal, transportation or treatment of materials containing asbestos. To the fullest extent permissible according to law, and without limiting any other rights or remedies of the Mortgagee, the Mortgagor unconditionally, absolutely and irrevocably agrees to defend, hold harmless and indemnify the Mortgagee and each of its officers, employees, agents and contractors against all damages (including consequential damages), claims, costs, losses, liabilities and expenses, including attorneys' fees and expenses, suffered or incurred by the Mortgagee on account of the existence at the Mortgaged Property of any materials containing asbestos at any time, including without limitation, any such claims, costs, losses, liabilities and expenses arising from the violation of any laws relating thereto. The foregoing indemnification shall survive satisfaction of the Mortgagor's obligations under the Loan Documents and the release, foreclosure or assignment of this Mortgage. In addition, the Mortgagee may (but shall not be obligated to), from time to time at the Mortgagor's expense, conduct such investigations as the Mortgagee deems reasonable to determine whether asbestos or materials containing asbestos are being released in to the environment at the Mortgaged Property, and the Mortgagor shall cooperate with the Mortgagee in conducting such investigations. The Mortgagee and its officers, employees, agents and contractors shall have and are hereby granted the right to enter upon the Mortgaged Property for the foregoing purposes.

4. TAXES AND ASSESSMENTS. The Mortgagor shall pay or cause to be paid, not later than the last day upon which payment may be made without penalty or interest, all taxes, charges for water, sewer and other municipal services and assessments and any other charges or assessments that might become a lien prior to the lien of this Mortgage, whether or not assessed against the Mortgagor or the Mortgagee, and whether or not assessed pursuant to authority adopted before or after the date of this Mortgage if applicable or related in any way to the Mortgaged Property, any interest in the Mortgaged Property of the Mortgagor or the Mortgagee or the debt, obligations or performance secured hereby, or the disbursement or application of the proceeds therefrom (collectively, the "Impositions"), excluding, however, any income or corporation excise tax of the Mortgagee. If at any time the Mortgagee does not require the escrow of payments for Impositions, the Mortgagor shall furnish to the Mortgagee receipted real estate tax bills for the Mortgaged Property not later than ten (10) days after the date from which any interest or penalty would accrue for nonpayment thereof. The Mortgagor shall also furnish to the Mortgagee

evidence of payment of all other Impositions within fifteen (15) days after written request therefor by the Mortgagee. If the Mortgagor is not permitted by applicable law to pay any Imposition or the payment of such Imposition would violate any usury law applicable to the transaction contemplated by this Mortgage, at the option of the Mortgagee, the principal sum secured by this Mortgage shall become due and payable upon the date specified by written notice given by the Mortgagee to the Mortgagor, which date shall be at least thirty days after the date of such notice. The Mortgagor shall require all tenants of the Mortgaged Property to pay, when due, all taxes assessed against personal property and trade fixtures of each said tenant.

If requested by the Mortgagee, after an Event of Default (as herein defined), the Mortgagor shall pay to the Mortgagee monthly, on the first day of each month, a sum reasonably determined by the Mortgagee to be sufficient to provide in the aggregate a fund adequate to pay each Imposition at least thirty (30) days before it becomes delinquent, and, in addition, shall pay to the Mortgagee on demand any balance necessary to pay in full each Imposition at least thirty (30) days before the date on which it becomes due and payable. Such sums shall not bear interest and may be commingled with the general assets of the Mortgagee. The Mortgagee shall not be required to account for any profits resulting from its use thereof. Such sums may be applied by the Mortgagee to the payment of the Impositions or any other obligation of the Mortgagor hereunder. The Mortgagor shall furnish to the Mortgagee all original bills relating to any Imposition promptly upon issuance.

The Mortgagor shall have the right, after giving written notice to the Mortgagee and subject to the conditions stated below, to contest by appropriate legal proceedings the amount or validity of any Imposition. In no event shall the Mortgagor be entitled to delay payment of any Imposition if the delay in payment could subject any portion of the Mortgaged Property to possible foreclosure or in any event unless the Mortgagor deposits with Mortgagee a sum of money or such other security as the Mortgagee deems reasonable to cover the amount of such Imposition plus any interest or penalty that may become due as a result of such contest.

5. **INSURANCE.** The Mortgagor agrees, at the Mortgagor's sole cost and expense, to keep the Mortgaged Property insured at all times throughout the term of this Mortgage with policies of insurance of the types set forth below:

(a) **PROPERTY INSURANCE.** Physical hazard insurance on an "all risks" basis, including without limitation the hazards of earthquake and collapse, with a full replacement cost endorsement (including builder's risk during any period or periods of time that construction or remodeling is being performed on the Mortgaged Property), in an amount equal to 100% of the full replacement cost of all improvements (excluding only the reasonable value of footings and foundations) and the Mortgagor's contents therein, determined to the reasonable satisfaction of the Mortgagee, and in any event, in an amount sufficient to prevent the Mortgagor from incurring any co-insurance liability.

(b) **SYSTEM INSURANCE.** A policy or policies of insurance against loss or damage arising from incidents relating to the air conditioning and/or heating systems, electrical systems, other pressure vessels, high pressure piping and machinery, if any, installed in the buildings and improvements, for an amount reasonably satisfactory to the Mortgagee.

(c) **BUSINESS INTERRUPTION AND/OR LOSS OF RENTAL VALUE INSURANCE.** Business interruption and/or loss of rental insurance for a period of twelve months in such amounts as are reasonably satisfactory to the Mortgagee.

(d) **FLOOD INSURANCE.** If the Real Property is located in an area designated by any governmental agency as an area of special flood hazard, such insurance against damage caused by flooding as the Mortgagee shall reasonably request.

(e) **AUTOMOBILE INSURANCE.** Policies of comprehensive automobile liability insurance on an occurrence basis arising out of vehicles owned, unowned or hired by Mortgagor for bodily injury and property damage with limits of not less than \$1,000,000 in the aggregate, including \$1,000,000 of primary coverage.

(f) WORKER'S COMPENSATION. Policies of worker's compensation insurance including employer's liability with policy limits of not less than \$100,000.

(g) LIABILITY/UMBRELLA INSURANCE. Policies of comprehensive general liability and umbrella insurance on an occurrence basis against claims for bodily injury and property damage with limits of liability satisfactory to the Mortgagee and in any event not less than \$10,000,000 in the aggregate, including \$1,000,000 of primary coverage. The Mortgagor and the Mortgagee shall be named insurers under such policies, as their interests may appear.

(h) ADDITIONAL INSURANCE. Insurance with respect to such other insurable risks relating to the Mortgaged Property or the Mortgagor in such amounts and containing such terms and conditions as the Mortgagee may reasonably require from time to time.

No such insurance shall be blanketed with insurance on other properties without the prior written consent of the Mortgagee, which consent shall not be unreasonably withheld. The Mortgagor shall deposit all insurance policies (or certificates thereof acceptable to the Mortgagee) providing coverage applicable to the Mortgaged Property, whether or not required by this Mortgage, with the Mortgagee forthwith after the binding of such insurance, and shall deliver to the Mortgagee new policies (or certificates thereof acceptable to the Mortgagee) for any insurance about to expire at least thirty (30) days before such expiration. All such insurance policies shall be first payable in case of loss to the Mortgagee by means of a standard non-contributory mortgagee clause, shall be written by such companies, on such terms, in such form and for such periods and amounts as the Mortgagee shall from time to time designate or approve, shall be primary and without right of contribution from other insurance which may be available, shall waive any right of setoff, counterclaim, subrogation, or any deduction in respect of any liability of the Mortgagor and the Mortgagee, shall provide that with respect to the Mortgagee, the insurance shall not be invalidated by any action or inaction by the Mortgagor including without limitation any representations made by the Mortgagor in the procurement of such insurance, and shall provide that they shall not be canceled or amended without at least thirty (30) days' prior written notice to the Mortgagee. The Mortgagor hereby grants the Mortgagee full power and authority as attorney irrevocable of the Mortgagor to cancel or transfer such insurance, to collect and endorse any checks issued in the name of the Mortgagor and to retain any premium and to apply the same to the obligations secured hereby provided, however, that Mortgagee shall provide Mortgagor five (5) days prior written notice before executing any instrument as attorney in fact.

6. MAINTENANCE AND ALTERATIONS. The Mortgagor shall maintain the Mortgaged Property at all times in as good repair and condition as the same now is or may hereafter be put, damage from casualty expressly not excepted. The Mortgagor shall not take any action, or permit any condition or activity, which could diminish the value of the Mortgaged Property or invalidate any insurance required to be provided under this Mortgage. The Mortgagor shall not remove or alter any of the improvements, equipment, appliances, furnishings and fixtures constituting part of the Mortgaged Property without promptly replacing any such item with an item of equivalent utility and value. The Mortgagor shall permit the Mortgagee, its agents and employees reasonable opportunity to enter upon the Mortgaged Property for the purpose of inspecting the condition of the Mortgaged Property and determining the Mortgagor's compliance with the covenants contained in this Mortgage.

7. USE AND COMPLIANCE WITH LAW. The Mortgagor shall maintain the Mortgaged Property in a first class condition and shall not change nor suffer or permit any change in the use or character thereof without the prior written consent of the Mortgagee. The Mortgagor shall continuously occupy all of the Real Property, or cause the same to be occupied by the Mortgagor's lessees, licensees, or concessionaires. The Mortgagor shall not permit any violation of any law, by-law, ordinance, public or private restriction, regulation, order or code affecting the Mortgaged Property or the use thereof or take any action or permit any condition or activity which could invalidate any license or permit needed for the use and occupancy of the Mortgaged Property. The Mortgagor shall indemnify, defend and hold harmless the Mortgagee and each of the Mortgagee's agents, employees, successors and contractors from and against all loss, liability, damage and expense, and all costs associated with any defense of any claim with respect to any of the foregoing, including attorneys' fees and expenses, occasioned by or associated with the actual or alleged existence at the Real Property of any substance or material, the generation, handling, storage or disposal of which is regulated by any governmental requirement; provided, however, that the foregoing

indemnity shall not apply if the loss, liability, damage or expense is a result of the act or omission by the Mortgagee, its lessees, tenants, agents, employees and independent contractors.

8. LEASES. The Mortgagor shall observe and perform all the obligations imposed upon the Mortgagor under any lease of the Real Property or any portion thereof, and shall not do or permit to be done anything which would impair the security of any such lease to the Mortgagee, nor cancel or change any terms, conditions or covenants of any lease of the Real Property or any portion thereof without the prior written consent of the Mortgagee, nor execute any lease providing for payment of rent for more than one month in advance, nor receive rent from any tenant of all or any part of the Real Property for more than one month in advance without the prior written consent of the Mortgagee. The Mortgagee agrees not to unreasonably withhold its consent to any change, cancellation of the covenants of any Lease, any change in the condition of the Premises, or concerning the execution of a Lease providing for payment of rent for more than one month in advance. The Mortgagor agrees to hold in trust for the benefit of the Mortgagee any such advance rent in excess of one month received by the Mortgagor. The Mortgagor agrees to send to the Mortgagee any notice of default given by the Mortgagor to any lessee or occupant of the Real Property and any notice of default received by the mortgagor from any tenant or other occupant of the Real Property, and to give prompt written notice to the Mortgagee of any material default on the part of any tenant or other occupant of the Real Property, whether or not the Mortgagor has given notice of such condition to the tenant or occupant in default. No tenant or occupant under any lease of the Real Property which is subordinate to this Mortgage shall be entitled to terminate such tenant's or occupant's lease without giving the Mortgagee written notice of the Mortgagor's default under such lease and, if Mortgagor fails to cure any default within the applicable grace period, if any, contained in said lease, giving Mortgagee an additional reasonable period of time to cure such default. In no event shall the Mortgagee have any liability to any tenant or occupant for any default by Mortgagor or for the return of any security deposit given to the Mortgagor and in no event shall the Mortgagee be subject to any setoff, defense or claim which any tenant or occupant may have against the Mortgagor. Any tenant or occupant of the Real Property shall, promptly after receipt of a request from the Mortgagee made at any time prior to foreclosure of this Mortgage, execute, acknowledge and deliver to the Mortgagee such instrument as the Mortgagee may reasonably request agreeing to attorn to the Mortgagee, at the election of the Mortgagee, after the foreclosure of this Mortgage.

The Mortgagee shall have the right to subordinate this Mortgage and its rights hereunder to any lease of the Real Property or any portion thereof which is subordinate to this Mortgage, except that the Mortgagee shall be entitled to expressly exclude from such subordination the Mortgagee's rights to insurance proceeds and eminent domain awards in the event of a loss or casualty or eminent domain taking of the Mortgaged Property or any portion thereof. If the Mortgagee executes and records an instrument which purports to effect a partial or complete subordination of this Mortgage to any lease which is subordinate to this Mortgage, such lease shall not be terminated by a foreclosure of this Mortgage, but any rights of the Mortgagee to insurance proceeds or eminent domain awards which are expressly excluded from such subordination shall remain superior to the rights of the tenant under such lease.

9. CONDITIONAL ASSIGNMENT OF LEASES AND RENTS. As additional security for the obligations secured hereby, the Mortgagor hereby assigns to the Mortgagee all of the Mortgagor's rights under any and all leases or other arrangements for the use or occupancy of all or any part of the Mortgaged Property, including without limitation, the right to receive rent or other payment, provided, however, the Mortgagor shall retain the right to receive such rents and payments and exercise its other rights under such leases and other arrangements until the occurrence of an Event of Default, as defined herein, under this Mortgage. After an Event of Default, the Mortgagee shall be entitled to modify and otherwise deal with all such leases and other arrangements with the same power and discretion which the Mortgagee would have if it were the lessor thereof, and the Mortgagee shall be entitled to collect all of the rents and other payments, to collect and endorse any checks issued in the name of the Mortgagor and to apply the same to the debt secured hereby, and after foreclosure the Mortgagee shall not be liable to account to the Mortgagor for rents or other payments thereafter accruing.

10. REPORTING REQUIREMENTS. The Mortgagor shall furnish the Mortgagee, from time to time, within a reasonable time after its demand, a true and complete statement of the annual operating expenses and income of the Mortgaged Property together with a rent roll, description of leasing prospects, forecasts for income and

expenditures, and such other information concerning the Mortgaged Property as the Mortgagee may reasonably request, and financial statements of the principal owners and any guarantors and endorsers and if requested, shall furnish such information on a periodic basis without additional requests. Such financial statements shall be prepared in accordance with generally accepted principles of accounting consistently applied, shall be in a form satisfactory to the Mortgagee, and if requested by the Mortgagee, shall be reviewed by an independent public accountant satisfactory to the Mortgagee.

11. CASUALTIES AND TAKINGS. If the Mortgaged Property or any part thereof shall be damaged or destroyed by fire or other hazard insured against, or if the Mortgaged Property or any portion thereof or interest therein shall be taken by eminent domain, the Mortgagor shall promptly give written notice thereof to the Mortgagee and promptly take such action as is required to collect any applicable insurance proceeds or any eminent domain award. No settlement on account of any loss, damage or taking shall be made without the prior written consent of the Mortgagee. If, in the Mortgagee's sole judgment, the Mortgagor is not proceeding promptly to settle such claims in a manner satisfactory to the Mortgagee, or if there has occurred an Event of Default, as defined herein, which has not been waived in writing by the Mortgagee, the Mortgagee may settle any claims with the insurers or taking authority and the Mortgagee is hereby irrevocably appointed attorney-in-fact for the Mortgagor to settle such claims and to collect and endorse any checks issued in the name of the Mortgagor. Any proceeds from insurance or wards for such taking, as the case may be, shall be paid to the Mortgagee.

The Mortgagee, in its discretion, may either apply any insurance proceeds or eminent domain award against any of the obligations secured hereby, or release all or a portion of the proceeds to the Mortgagor upon such terms and conditions as the Mortgagee deems appropriate, and apply the balance thereof, if any, to the obligation secured hereby.

12. OTHER SECURITY INTERESTS AND EQUIPMENT LEASING. The Mortgagor shall not permit, without the prior written consent of the Mortgagee, (i) the creation or continued existence, whether by voluntary action or operation of law, of any security interest in or other encumbrance on the Mortgaged Property other than the lien for unpaid real estate taxes and betterment assessments prior to the commencement of interest and penalties thereon, or (ii) the leasing of any equipment to be used by the Mortgagor at or in connection with the operation of the Mortgaged Property; provided, however, that in the case of a security interest or encumbrance created by operation of law, the Mortgagor shall be required to discharge any such encumbrance or cause the encumbrance to be bonded over within fourteen (14) days. The Mortgagor shall notify the Mortgagee promptly of the existence of and the terms of any security interest affecting any portion of the Mortgaged Property and any lease of personal property to be used by the Mortgagor at or in connection with the operation of the Real Property, whether now existing or hereafter arising, shall make all payments that become due to any secured party having any such security interest or any lessor of such equipment, and at the request of the Mortgagee shall assign to the Mortgagee all of its right, title and interest in and to any and all agreements evidencing such security interest or lease. The Mortgagor hereby grants the Mortgagee full power and authority as attorney-in-fact of the Mortgagor to make, execute, acknowledge and deliver such assignments. The Mortgagor represents that, except as previously disclosed in writing to the Mortgagee, no such security interest or lease presently exists.

If at any time the Mortgaged Property or any portion thereof is subject to a security interest other than this Mortgage, or any equipment used by the Mortgagor at or in connection with the operation of the mortgaged Property is owned other than by the Mortgagor, the Mortgagor shall not modify, amend or fail to comply with any term or condition of such security interest or the obligations secured thereby, or any lease of such equipment, without the prior written consent of the Mortgagee. Notice is given hereby to any holder of a junior security interest in or other encumbrance on the Mortgaged Property that the Loan Documents may be amended. The holder of any such security interest or encumbrance, by accepting such security interest or encumbrance subject to this Mortgage shall be deemed to have agreed to any amendment of the Loan Documents, including without limitation any change in interest rate.

13. UCC REPRESENTATIONS. The Mortgagor warrants that the Mortgagor's principal place of business in Massachusetts is at 20 North Road, Bedford, Massachusetts, and that Mortgagor has no other place of business in Massachusetts. The Mortgagor agrees to maintain complete and accurate records listing and describing the

Personal Property and to deliver such records to the Mortgagee from time to time upon request of the Mortgagee. Without limiting any of the provisions of this Mortgage, the Mortgagor hereby grants to the Mortgagee a security interest in the Personal Property. This Mortgage shall constitute a security agreement within the meaning of the Uniform Commercial Code as enacted in Massachusetts with respect to the Personal Property and a security interest shall attach thereto and shall be vested directly in the Mortgagee to secure the obligations secured by this Mortgage. Upon the occurrence of an Event of Default, as defined herein, and at all other times, in addition to all of its other rights hereunder and at law and in equity, the Mortgagee shall have all of the rights of a secured party under the Uniform Commercial Code. The Mortgagee shall have no duty of care with respect to any part of the Mortgaged Property.

14. TRANSFERS. The Mortgagor shall not suffer or permit a change, whether effected by voluntary act or by operation of law, in the legal or direct or indirect beneficial ownership of (i) the Mortgaged Property or any portion thereof or (ii) any interest in the Mortgaged Property except in accordance with the terms of the Letter of Intent and Loan Agreement. The Mortgagor shall not enter into any lease or combination of leases or other arrangements which have the effect of transferring to any other person or affiliated group the right to use or occupy all or substantially all of the Real Property. The Mortgagee may, without notice to the Mortgagor, deal with the Mortgagor's successor or successors in interest with reference to this Mortgage and the debt secured hereby in the same manner as with the Mortgagor without in any way releasing, discharging or modifying the Mortgagor's liability or obligations with respect to this Mortgage or the debt secured hereby. No transfer of any interest in any part of the Mortgaged Property or interest therein shall operate to release, discharge, modify, change or affect the original liability of the Mortgagor, nor the priority of this Mortgage either in whole or in part.

15. MORTGAGEE'S RIGHT TO CURE AND EXPENSES. The Mortgagee shall be entitled, but not obligated, to cure any failure of the Mortgagor to perform its obligations under this Mortgage and to commence, intervene in or otherwise participate in any legal or equitable proceeding which in the Mortgagee's sole judgment affects the Mortgaged Property or any rights created or secured by this Mortgage or any obligation secured hereby. If the Mortgagee shall become involved in any action or course of conduct with respect to the Lot 3 Note, this Mortgage, any of the other Loan Documents, the Mortgaged Property or other security for the debt or obligations secured hereby in order to protect its interest therein or cure any default of the Mortgagor hereunder, the Mortgagor shall, on demand, reimburse the Mortgagee for all reasonable charges, costs and expenses incurred by the Mortgagee in connection therewith, including without limitation reasonable attorneys' fees and expenses, and an additional reasonable fee to compensate the Mortgagee for overhead and personnel salaries and wages attributable to undertaking such actions or conduct, together with interest thereon, from the date incurred until paid at an interest rate equal to the rate, if any, of interest specified in the Lot 3 Note to be in effect after there has been a default and the principal sum has been declared due and payable, but in no event higher than the highest rate permitted by law.

16. EVENTS OF DEFAULT. Each of the following shall constitute an Event of Default:

(a) failure to pay interest or principal within the applicable grace period, if any, on the Lot 3 Note in accordance with their respective terms;

(b) breach of the covenants, conditions or agreements in any Loan Document or in any other mortgage, debt or obligation of or from the Mortgagor to the Mortgagee or in any other mortgage or instrument which constitutes a lien on all or any part of the Mortgaged Property, in each case, if it remains uncured after the expiration of any applicable grace period;

(c) breach of any covenant contained in the Sections herein entitled "Insurance", "Other Security Interests and Equipment Leasing" and "Transfers";

(d) breach of any other covenant, condition or agreement contained in this Mortgage remaining uncured for a period in excess of fifteen (15) days; provided that in the case of any breach which is susceptible to cure but cannot be cured within thirty (30) days through the exercise of reasonable diligence, so long as the Mortgagor commences such cure within thirty (30) days, such breach remains susceptible to cure, and the Mortgagor diligently pursues such cure, such breach shall not be deemed to create an Event of Default hereunder;

(e) failure of the Mortgagor to cause to be dismissed any proceeding against the Mortgagor, and if applicable, any holder of a general partnership interest in the Mortgagor, any guarantor of any of the Mortgagor's obligations or any endorser of the Lot 3 Note (the Mortgagor and if applicable any such general partner, guarantor or endorser shall each be an "Obligor") under any law relating to bankruptcy, reorganization, insolvency or relief of debtors, within thirty (30) days from the date on which it is filed or instituted, or the filing or other institution of a proceeding by any Obligor under any such law; provided that the Mortgagor commences dismissal efforts within said thirty (30) days and the Mortgagor thereafter diligently pursues such dismissal, such breach shall not be deemed to create an Event of Default until a total of ninety (90) days from the date on which it is filed or instituted has passed.

(f) death of any Obligor who is an individual excepting only the death of a Trustee of any obligor, the liquidation, termination, dissolution, merger or consolidation of any Obligor which is not an individual, the insolvency of any Obligor or the inability of any Obligor to pay such Obligor's debts when due;

(g) material inaccuracy when made of any statement, representation or warranty made by the Mortgagor to the Mortgagee in this Mortgage or in any Loan Document; and

(h) breach of the Statutory Condition.

If an Event of Default shall occur, then, at the option of the Mortgagee, without any further notice to the Mortgagor, the entire debt secured hereby, shall be due and payable, and the Mortgagee shall have the STATUTORY POWER OF SALE and shall be entitled to exercise any and all other rights and remedies contained herein or in any of the Loan Documents or available at law, including all rights and remedies available to a secured party under the Uniform Commercial Code. The Mortgagor agrees that the requirement of the Uniform Commercial Code with respect to personal property that a secured party give a debtor reasonable notice of any proposed sale or disposition of the collateral shall be met if such notice is given to the Mortgagor at least five (5) days before the time of such sale or disposition.

17. APPLICATION OF DEPOSITS AFTER DEFAULT. If the Mortgagor shall default in the performance or observance of any covenant or agreement herein or contained in the Lot 3 Note, the Mortgagee may apply toward the debt secured hereby any deposit, payment or any sum due from the Mortgagee to the Mortgagor without first enforcing any other rights of the Mortgagee against the Mortgagor or against the Mortgaged Property.

18. SEPARATE FORECLOSURE SALES AND WAIVER OF MARSHALING. The Mortgagee may, in the exercise of the power of sale herein given, sell the Mortgaged Property and other security in parts or parcels. Such sale may be held from time to time by public or private sale and the power shall not be fully executed until all of the Mortgaged Property and said other security not previously sold shall have been sold. If surplus proceeds are realized from a foreclosure sale, the Mortgagee shall not be liable for any interest thereon pending distribution of such proceeds by the Mortgagee. Any separate items of property sold together for a single price may be accounted for in one account without distinction between the items of security or without assigning to them any proportion of such proceeds. The Mortgagor hereby waives the application of any doctrine of marshaling of assets.

19. COLLECTION OF ACCOUNTS. The Mortgagee may communicate with account debtors in order to verify the existence, amount and terms of any accounts or contract rights and to notify account debtors of the Mortgagee's security interest in their accounts. When requested by the Mortgagee, the Mortgagor shall notify account debtors and indicate on all billings that payments are, when requested by the Mortgagee, to be made directly to the Mortgagee. After an Event of Default, the Mortgagee may require that payments on accounts be made directly to the Mortgagee and shall have full power to collect, compromise, endorse, sell or otherwise deal with the accounts or proceeds thereof and to perform the terms of any contract in order to create accounts in the Mortgagee's name or in the name of the Mortgagor with respect to the business conducted at the Real Property.

20. FURTHER ASSURANCES. The Mortgagor agrees to execute and cause to be filed or recorded, and hereby appoints the Mortgagee its duly authorized attorney-in-fact, with full power of substitution and with authority to



execute, file and record on behalf of the Mortgagor, all instruments from time to time deemed by the Mortgagee to be necessary or appropriate to evidence further the obligations of the Mortgagor pursuant to this Mortgage or secured by this Mortgage, or to secure further to the Mortgagee the security intended to be provided by this Mortgage, provided that the Mortgagee provides the Mortgagor with not less than five (5) days' prior written notice before signing any instrument as attorney-in-fact.

21. NOTICES. Any notice, demand or other communication under this Mortgage shall be in writing and shall be deemed to be delivered on the earlier of (i) the date received, or (ii) the date of delivery, refusal, or non-delivery indicated on the return receipt, if deposited in a United States Postal Service depository, postage prepaid, sent registered or certified mail, return receipt requested, by hand delivery or by reputable overnight courier, in each case addressed to the party to receive the same at the address of such party set forth at the beginning of this Mortgage, or at such other address as may be designated in a notice delivered or mailed as herein provided.

22. WAIVERS. No course of dealing by the Mortgagee and no forbearance on the part of the Mortgagee or extension of the time for the payment of the debt secured hereby or any other indulgence given by the Mortgagee shall operate to release, discharge, modify, change or affect the original liability of the Mortgagor nor affect the Mortgagee's rights later to take such action with respect thereto, and no waiver as to any one default shall affect the Mortgagee's rights as to any other default.

23. ESTOPPEL CERTIFICATE. Within ten (10) days after any request by the Mortgagee, the Mortgagor will furnish a duly acknowledged, estoppel certificate stating the amount of the debt secured by this Mortgage, either that no offsets or defenses exist against the indebtedness secured by this Mortgage or if such offsets or defenses are alleged to exist the nature and extent thereof, and such other matters concerning any Obligor or the Mortgaged Property as the Mortgagee may reasonably request.

24. INTERPRETATION AND BINDING EFFECT. This Mortgage shall be governed by and construed in accordance with the laws of The Commonwealth of Massachusetts and shall take effect as an instrument under seal. In case any provision of the Lot 3 Note, this Mortgage, or any instrument executed by any person or organization in connection therewith shall be found unenforceable or invalid for any reason, such provision shall be deemed modified to the extent necessary to be enforceable, or if such modification is not practicable, such provision shall be deemed deleted from this Mortgage or such other instrument and the remainder of this Mortgage or other such instrument shall remain binding on the Mortgagor and otherwise of full force and effect. The word "Mortgagor" as used herein means the Mortgagor named herein, whether one or several, and also means any subsequent owner or owners of all or any part of the Mortgaged Property. All of the covenants and agreements of the Mortgagor herein contained shall be binding upon the Mortgagor, its heirs, executors, administrators, successors and assigns and shall be joint and several if more than one person constitute the Mortgagor. The word "Mortgagee" as used herein means the Mortgagee named herein and any subsequent holder or holders of this Mortgage.

25. LIMITATION OF LIABILITY. The Mortgagee agrees that, except as otherwise provided in any guarantee of the Lot 3 Note or the Loan Documents, it shall proceed only against the Mortgaged Property and any other collateral given to secure the Lot 3 Note and that neither the Mortgagor nor any trustee or beneficiary of Mortgagor shall be personally liable for any amounts due under the Lot 3 Note or under the other Loan Documents for the payment of any monetary obligation of the Mortgagor to the Mortgagee or for any deficiency which may arise upon a foreclosure of this Mortgage or the liquidation of other collateral given to secure the Lot 3 Note, provided that this provision shall not diminish in any way the powers of the Mortgagee to foreclose this Mortgage and to exercise its rights under the Loan Documents and at law in the event of default; provided further that Mortgagor and Mortgagor's trustees and beneficiaries shall be personally liable to the Mortgagee, to the same extent as they would have been liable absent the foregoing: (a) for fraud or willful misrepresentations; or (b) for the retention of any rental or other sum, not applied to expenses of the Mortgaged Property which are actually paid to bona fide third parties, with respect to the Mortgaged Property received at any time after the earlier of (i) the acceleration of the Lot 3 Note, (ii) a default by the Mortgagor under any of the Loan Documents which is not cured within the applicable grace period, or (iii) if notice of default is required under the Loan Documents, the date such notice is deemed to be delivered to the Mortgagor; or (c) if the Mortgagor or any successor entity files a petition for

reorganization or liquidation or for protection from creditors under the United States Bankruptcy Code or any similar state law.

26. MISCELLANEOUS.

(a) Any person or entity taking a junior mortgage or other lien on the Mortgaged Property or interest therein, shall take said lien subject to the rights of the Mortgagee herein to amend, modify and supplement this Mortgage, the Lot 3 Note, and the Loan Documents and to vary the rate of interest and the method of computing the same, and to impose additional fees and other charges and to extend the maturity of said indebtedness, and to grant partial releases of the lien of this Mortgage in each and every case without obtaining the consent of the holder of such junior lien and without the lien of this Mortgage losing its priority over the rights of any such junior lien. Nothing contained in this section, however, shall be construed as waiving any provision contained herein which provides, among other things, that it shall constitute an Event of Default if the Mortgaged Property is sold, conveyed or otherwise encumbered.

(b) Neither this Mortgage nor any other Loan Document may be modified, amended, waived, extended, changed, discharged or terminated orally, or by any act or failure to act on the part of the Mortgagor or the Mortgagee, but only an agreement in writing and signed by the party against whom enforcement of any modification, amendment, waiver, extension, change, discharge or termination is sought and any oral modification, amendment, waiver, extension, change, discharge or termination of any provision of this Mortgage by a representative of any party shall be without authority and of no force and effect.

(c) Headings in this Mortgage are for convenience and reference only and the words and phrases contained therein shall in no way be held to explain, modify, amplify or aid in the interpretation, construction or meaning of any of the provisions herein.

(d) To the extent permitted by applicable law, the Mortgagor hereby consents to waiver of trial by jury and the Mortgagor authorizes and empowers the Mortgagee in the name, place and stead of the Mortgagor to file this Mortgage with the Clerk or Judge of any court of competent jurisdiction as a statutory written consent to waiver of trial by jury.

(e) In the event of the passage of any law or the issuance of any judicial decision or regulation deducting from the value of the Real Property for the purpose of taxation, any lien or charge thereon or changing in any way the taxation of deeds of trust, mortgages or other debts secured by the Real Property, so as to impose a tax lien or charge thereon or changing in any way the taxation of deeds of trust, mortgages or other debts secured by the Real Property, so as to impose a tax, either directly or indirectly, on this Mortgage or any other Loan Document, or if the Mortgagor shall not be permitted by applicable law to pay any Imposition or the payment of any Imposition would violate any applicable usury law, at the option of the Mortgagee, the indebtedness secured by this Mortgage shall become due and payable upon the date(s) specified in a written notice given by the Mortgagee to the Mortgagor, which date(s) shall be at least thirty (30) days after the date of such notice, unless the Mortgagor shall be permitted in accordance with law to, and shall actually, pay such Imposition or any other amounts becoming due in connection with this Mortgage or from the Mortgagee as a result of any of the foregoing in accordance with all applicable laws.

(f) The Mortgagor shall promptly notify the Mortgagee: (i) if the Mortgagor learns of the occurrence of a default under any of the Loan Documents; or (ii) if the Mortgagor is aware of any other event of condition having a material adverse effect on the Mortgagor or the Mortgaged Property. Any such notice shall be given in writing in accordance with the provisions of Section 21 above and shall contain a detailed statement by the Mortgagor of the steps being taken to cure such default or to remedy the event or condition having a material adverse effect on the Mortgagor or the Mortgaged Property.

(g) For purposes of this Mortgage, the singular shall include the plural and vice versa, and each of the neuter, female and male genders shall include each of the others.

Executed as an instrument under seal as of the date first above written.

Mortgagor:

/s/ William J. Callahan, Trustee  
-----

William J. Callahan, Trustee  
as aforesaid and not individually

/s/ William J. Callahan Jr., Trustee  
-----

William J. Callahan, Jr. Trustee  
as aforesaid and not individually

COMMONWEALTH OF MASSACHUSETTS

Middlesex, ss

May 29, 1997

Then personally appeared the above-named William J. Callahan and William J. Callahan, Jr., Trustees of the Andover Park Realty Trust and acknowledged the foregoing instrument to be their free act and deed as Trustees of aforesaid, before me,

/s/ Mark S. Raffa  
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, Notary Public  
My Commission Expires: 6/23/2000

## EXHIBIT A

Lot 3, as shown on the plan entitled "Woodland Park' a subdivision in Andover, Mass," dated February 23, 1987, Owner: Andover Park Realty Trust, by BSC - Bedford and John G. Crow Assoc., Inc., Peter S. Swanson, recorded with the Essex County (North District) Registry of Deeds on May 26, 1987 as Plan No. 10726; together with the right to use, in common with others, the entire length of Federal Street for all purposes for which public streets may be used in the Town of Andover.

6-MOS

DEC-31-1997	JAN-01-1997	JUN-30-1997
		80,843
		0
	30,142	0
		19,777
133,652		107,761
	45,859	
	207,302	
16,203		0
0		0
		458
	188,933	
207,302		77,657
	77,657	
		37,179
	37,179	
	0	
	0	
	0	
	19,280	
	6,941	
12,339		
	0	
	0	0
	12,339	
	.29	
	.29	