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1850 Mt. Diablo Blvd,  
Suite 300  
Walnut Creek, CA 94596

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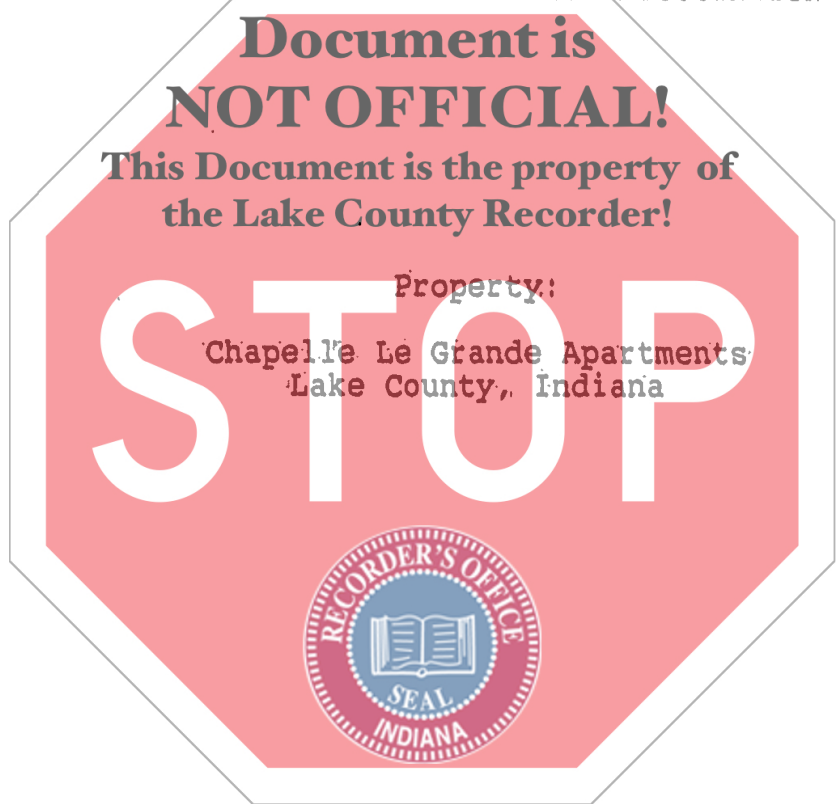
MODIFICATION OF MORTGAGE

between:

VMS NATIONAL PROPERTIES

and

FEDERAL NATIONAL MORTGAGE ASSOCIATION



Dec 2 10 50 AM '93

RECORD AND RETURN TO:

Federal National Mortgage Association  
950 East Paces Ferry Road  
Atlanta, Georgia 30326-1161  
Attention: Ms. D.D. Roberts

42 OP  
OK

WHEN RECORDED RETURN TO:

Federal National Mortgage  
Association Misher  
950 East Paces Ferry Road  
Atlanta, Georgia 30326-1161  
Attention: Ms. D.D. Roberts

THIS INSTRUMENT PREPARED BY:

Bachner, Tally, Polevoy &  
380 Madison Avenue  
New York, New York 10017

MODIFICATION OF MORTGAGE

This MODIFICATION OF MORTGAGE made as of the 30th day of September, 1993, by and between VMS NATIONAL PROPERTIES, an Illinois joint venture having an address at c/o VMS Realty Partners, 8700 West Bryn Mawr Avenue, Chicago, Illinois 60631 ("Borrower"); and FEDERAL NATIONAL MORTGAGE ASSOCIATION, a corporation organized and existing under the laws of the United States of America, having an address at 950 East Paces Ferry Road, Atlanta, Georgia 30326-1161 ("Lender").

W I T N E S S E T H :



A. Borrower is the fee owner of the land, together with the buildings and improvements thereon, located in Lake County, State of Indiana, commonly known as Chapelle Le Grande Apartments and more fully described on Schedule A annexed hereto (the "Property"), which Property is currently being used and operated as a residential apartment complex.

B. Lender is now the lawful owner and holder of that certain Mortgage dated October 1, 1971 by and between Lake

County Trust Company as Trustee under Trust No. 1666, as  
Mortgagor, and Percy Wilson Mortgage and Finance Corporation, as  
Mortgagee, securing a mortgage note in the sum of \$1,804,100.00,  
which Mortgage was recorded on October 13, 1971 as Document No.  
120773 in the Recorder's Office of Lake County, Indiana, and  
that certain Supplemental Mortgage dated January 2, 1974, by and  
between Mortgagor and Mortgagee, securing a mortgage note in the  
sum of \$30,800.00, which Supplemental Mortgage was recorded on  
January 9, 1974 as Document No. 235313 in said Recorder's Office  
of Lake County, Indiana, which Mortgage and Supplemental  
Mortgage were consolidated to form a single lien in the sum of  
\$1,834,900.00 (the "Consolidated Mortgage") pursuant to that  
certain Consolidation and Modification Agreement dated January  
2, 1974 and recorded on January 9, 1974 as Document No. 235314,  
in said Recorder's Office of Lake County, Indiana; which  
Consolidated Mortgage was thereafter duly assigned to Lender by  
that certain Assignment of Mortgage and Consolidation Agreement  
recorded on January 9, 1974 as Document No. 235315, and  
re-recorded on January 11, 1974 as Document No. 235578 and  
re-recorded on January 30, 1974 as Document No. 237616 in the  
Recorder's Office of Lake County, Indiana; and which  
Consolidated Mortgage was thereafter modified by that certain  
Modification Agreement dated February 3, 1983, by and between  
Mortgagor and Lender, and recorded on February 4, 1983 as  
Document No. 696183 in the Recorder's Office of Lake County,

Indiana (the "Original Mortgage"). The indebtedness secured by the Original Mortgage, as modified by this Modification of Mortgage, is or may also be secured by one or more additional instruments (the "Additional Security Instruments") such as, for example, an assignment of rents and/or leases. (The Original Mortgage and any and all Additional Security Instruments, as hereby modified, are hereinafter referred to, collectively, as the "Modified Mortgage".)

C. A Second Amended and Restated Plan of Reorganization of Borrower (the "Plan") in the Chapter 11 bankruptcy proceeding in re VMS National Properties, Case No. LA 91-65783-GM, has been confirmed pursuant to an order dated March 12, 1993, made in the United States Bankruptcy Court in the Central District of California by Judge Geraldine Mund (the "Bankruptcy Court").

D. Concurrently herewith, pursuant to the Plan, Borrower and Lender have modified the promissory note evidencing the indebtedness secured by the Original Mortgage, as such note may heretofore have been modified (the "Original Note"), pursuant to a certain Modification of Note of even date herewith between Borrower and Lender (the Original Note, as so modified, being hereinafter referred to as the "Modified Note").

E. Pursuant to the Plan, the Original Mortgage is to be modified as hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and the mutual promises and agreements herein contained and pursuant to the terms and conditions of the Plan, the parties hereto covenant and agree as follows:

1. Definitions.

(a) The "Commencement Date" shall be September 1, 1993.

(b) The "Effective Date" shall be September 30, 1993.

(c) All capitalized terms used and not otherwise defined herein shall have the meaning ascribed to such terms in the Plan.

(d) All references in the Original Mortgage, Additional Security Instruments, the Original Note or to any other items that are being modified by this Modification of Mortgage, by said Modification of Note or by any other agreement of even date herewith shall hereafter be deemed to refer to the Original Note or such other items, respectively, as so modified.

2. Borrower's Representations. Borrower represents and warrants to Lender that (a) Borrower is duly authorized by all necessary action of its joint venturers to enter into this Modification of Mortgage, and no other party's authorization or consent is required therefor, and (b) the persons executing this Modification of Mortgage for Borrower have been duly authorized to execute this Modification of Mortgage on behalf of Borrower.



3. Lender's Representations. Lender represents and warrants to Borrower that (a) Lender is the sole holder and owner of the Modified Note and the Original Mortgage, (b) Lender is duly authorized by all necessary action of its owners (if any) and its board of directors to enter into this Modification of Mortgage, and no other party's authorization or consent is required therefor, and (c) the officer of Lender executing this Modification of Mortgage has been duly authorized to execute this Modification of Mortgage on behalf of Lender.

4. Reinstatement. The Original Mortgage and the indebtedness secured thereby are hereby reinstated, and Lender hereby agrees to execute and deliver any other documentation as Borrower may request or as may be deemed necessary in order to effectuate or confirm such reinstatement. Lender hereby withdraws any: (i) notice of default; (ii) notice of intention to declare a default or acceleration; (iii) notice of the occurrence of an Event of Default and/or acceleration of the indebtedness secured by the Original Mortgage; (iv) any notice of sale, intention to sell or scheduling of a sale of the Property; (v) any judicial or non-judicial proceeding commenced for payment of the debt, foreclosure or realization upon the security set forth in the Original Mortgage; (vi) any proceeding under the Uniform Commercial Code; (vii) any proceeding in the nature of application for or providing for preliminary or interim relief, including, without limitation, any notice of

pendency that may be filed in any public office or application for the appointment of a receiver with respect to the Property; (viii) any proceeding or action taken in enforcement of any obligation based upon a default under the Original Mortgage, including, without limitation, any obligation under any guaranty, personal property security agreement or assignment; and (ix) any other matter or thing, whether or not affirmatively initiated by Lender, a receiver or a trustee, the discontinuance of which shall be necessary to restore the Original Mortgage to its good order and standing prior to the occurrence of any default.

**Document is NOT OFFICIAL!**  
**This Document is the property of the Lake County Recorder!**

5. Modification. The Original Mortgage and any and all Additional Security Instruments are modified as herein provided. Any and all conflicts and inconsistencies between the provisions of the Original Mortgage or of any Additional Security Instrument and the provisions of this Modification of Mortgage shall be resolved in favor of the provisions of this Modification of Mortgage. Any disputes regarding any such conflicts or inconsistencies shall be resolved by the Bankruptcy Court.

6. Outstanding Indebtedness. The Borrower and Lender agree that the outstanding principal balance of the indebtedness secured by the Modified Mortgage is \$1,239,248.46 as of the Commencement Date, and that no interest or other charges are outstanding on the Commencement Date.

7. Evidence of Indebtedness. From and after the Commencement Date, the Modified Mortgage shall secure the indebtedness evidenced by the Modified Note.

8. Events of Default. A default or Event of Default, as referred to in the Original Mortgage, shall be deemed applicable only to events, actions and occurrences that shall have taken place from and after the Effective Date, and any such event, action or occurrence occurring prior to the Effective Date shall not be deemed to constitute either a default or an Event of Default.

9. Prepayment. The indebtedness evidenced by the Modified Note and secured by the Modified Mortgage may be prepaid in whole or in part at any time without surcharge, penalty or premium.

10. Further Encumbrances. In the event that the Original Mortgage contains restrictions with respect to further encumbrances of the Property, any such restrictions shall remain in effect, except that, pursuant to the Plan, Borrower shall be permitted to encumber, pledge and assign the Property (and the other security covered by the Modified Mortgage) with junior liens, assignments and security interests (including, without limitation, by an assignment of leases and rents) (collectively, "Subordinate Mortgages") in favor of the Federal Deposit Insurance Corporation (the "FDIC") or ContiTrade Services Corporation, or liens or encumbrances granted in the ordinary course of Borrower's business to secure debt incurred or to be



incurred for general operating purposes: (i) to provide new equipment for the Property, (ii) to protect or preserve the Property, or (iii) to comply with contractual or governmental obligations with respect to the Property, provided, however, that:

(a) any Subordinate Mortgage shall be by its terms expressly subject and subordinate to the lien of the Modified Mortgage and any amendment or modification thereto (other than an increase of the principal outstanding indebtedness secured thereby); and

(b) Lender shall promptly be provided with a copy of each Subordinate Mortgage.

11. Due on Sale. Notwithstanding any provision to the contrary set forth in the Original Mortgage or Additional Security Instruments, Borrower shall not, prior to the full payment and discharge of the indebtedness secured by the Modified Mortgage, convey or transfer ownership, in whole or in part, of the Property except as hereinafter provided, and any such transfer or conveyance shall constitute an Event of Default, provided that if Borrower shall retain a partnership or other form of equity interest in the Property after any such transfer or conveyance, then such transfer or conveyance shall be permitted under the Modified Mortgage and shall not constitute a default or an Event of Default.

12. Tax and Insurance Escrow or Trust Fund.

Notwithstanding any other provision in the Original Mortgage with respect to the payment, deposit in escrow or impound of real property taxes and/or insurance premiums to the contrary, Borrower shall, as and when each installment of principal and interest is due under the Modified Note, until the Modified Note is fully paid, deposit and set aside in a segregated trust account for the benefit of Lender and the holders of any Subordinate Mortgage, an installment on account of the real property taxes against the Property and the premiums for any insurance required under the Modified Mortgage that shall next be due in an amount sufficient to accumulate the sums required to pay such taxes and insurance thirty (30) days prior to the due dates thereof. Amounts so held shall constitute trust funds, and no interest shall be payable in respect thereof. From and out of such trust funds, Borrower shall pay all such taxes and insurance premiums on or before each is due and payable before the assessment of any interest or penalties. On reasonable request from time to time, Borrower shall provide to Lender an accounting of the use and application of such funds.

13. Financial Reports. On a quarterly basis, Borrower shall provide Lender with a reasonably detailed financial report of the results of the operations of the Property. Borrower shall also provide such further financial or operating reports as Lender may reasonably request from time to time.

14. Budgets. Borrower shall provide Lender with a copy of each budget for operation of the Property that Borrower is required to provide to the FDIC pursuant to the Plan, on or before December 1 of 1993 and each calendar year thereafter, but Lender shall have no authority to approve or disapprove the same.

15. Lender's Authority to File UCC-3 Continuation Statements. Borrower hereby appoints Lender the attorney-in-fact of Borrower for the sole purpose of executing in Borrower's name and filing in the appropriate jurisdictions such UCC-3 Continuation Statements as may be necessary to continue the perfection of Lender's security interests in the collateral securing the indebtedness that is also secured by the Modified Mortgage.

16. Notices. Any and all notices, elections, demands, requests and responses thereto permitted or required to be given under the Modified Mortgage shall be given in the manner required by the Original Mortgage but shall be addressed as follows:

If to Borrower:

VMS National Properties  
c/o VMS Realty Partners  
8700 West Bryn Mawr  
Chicago, Illinois 60631  
Attention: Mr. Greg Smith

with a copy to:

Bächner, Tally, Polevoy & Misher  
380 Madison Avenue  
New York, New York 10017  
Attention: Martin D. Polevoy, Esq. or  
Sam W. Galowitz, Esq.

If to Lender:

Federal National Mortgage Association  
950 East Paces Ferry Road  
Atlanta, Georgia 30326-1161  
Attention: Ms. D.D. Roberts

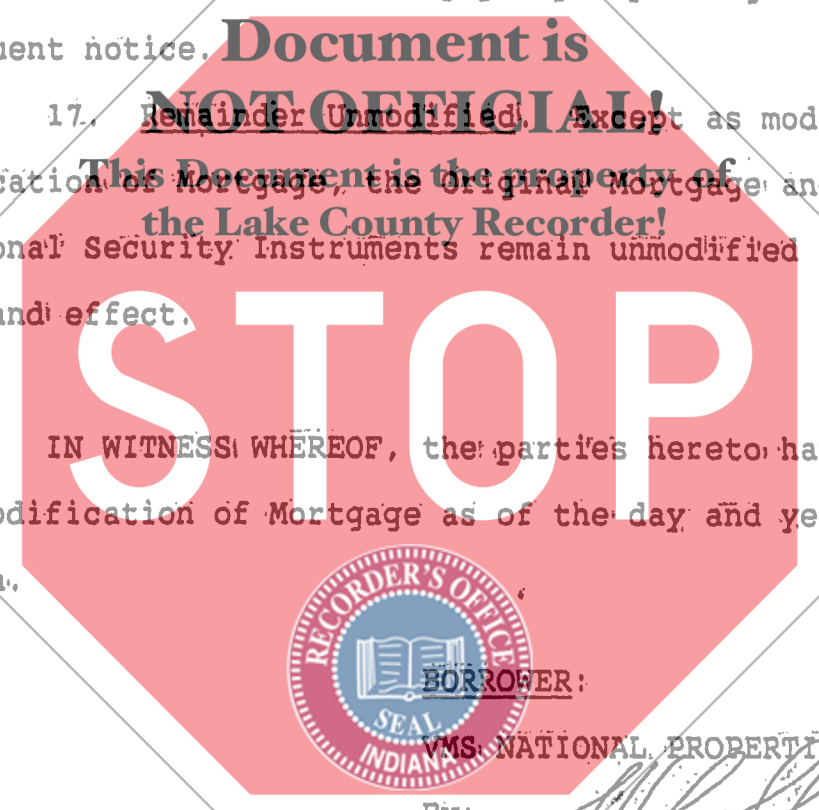
With a copy to:

Adams, Duque & Hazeltine  
777 South Figueroa Street  
Los Angeles, California 90017  
Attention: Daniel H. Slate, Esq.

or to such other address as any party may designate in a subsequent notice.

17. ~~Remainder Unmodified.~~ Except as modified by this Modification of Mortgage, the original Mortgage and any and all Additional Security Instruments remain unmodified and in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Modification of Mortgage as of the day and year first above written.



BORROWER:

VMS NATIONAL PROPERTIES

By: 

Authorized Signatory

GREG H. SMITH

LENDER:

FEDERAL NATIONAL MORTGAGE ASSOCIATION

By: 

Name: D. D. Roberts  
Title: Vice President





SCHEDULE A

DESCRIPTION

Parcel 1: Part of the Southeast Quarter of the Southeast Quarter of Section 16, Township 35 North, Range 8 West of the 2nd P.M., described as follows: Commencing at a point in the East line of Section 16, Township 35 North, Range 8 West of the 2nd P.M., which is 793.34 feet North of the Southeast corner of said Southeast Quarter (said point being the Northeast corner of Southwood Park 2nd Addition, Plat Book 30, page 59 in Recorder's Office of Lake County, Indiana), thence West on the North line of said Southwood Park 2nd Addition (being a line which forms an angle of 90 degrees 42 minutes 15 seconds with last described line) a distance of 330.0 feet and to the true point of beginning; thence North on a line which is parallel with the East line of Section 16 a distance of 395.28 feet to a point in a line which is 1188.65 feet North of the Southeast corner of Section 16 (measured along the East line of said Section); thence West a distance of 141.91 feet to the Southwest corner of tract described in said Deed Record 873, page 122, thence North 153.84 feet; thence West 451.08 feet to a point 400 feet East of the West line of the Southeast Quarter of the Southeast Quarter (or School Lot 16) of Section 16; thence South 549.12 feet to the North line of said Southwood Park 2nd Addition; thence East along said line 594 feet to the point of beginning, in Lake County, Indiana.

Parcel 2: Part of the Southeast Quarter of the Southeast Quarter of Section 16, Township 35 North, Range 8 West of the 2nd P.M., described as follows: Beginning on the West line of the Southeast Quarter of the Southeast Quarter of Section 16, Township 35 North, Range 8 West of the 2nd P.M., at the Northwest corner of Southwood Park 2nd Addition, Plat Book 30, page 59, in the Recorder's Office of Lake County, Indiana (said point being 794.54 feet North of the Southwest corner of said Southeast Quarter of the Southeast Quarter), thence North along the West line of the Southeast Quarter of the Southeast Quarter of Section 16 a distance of 220.00 feet (to the Northwest corner of tract described in Deed Record 1130, page 251, to John A. Kordys and wife, Audrey F.) to the true point of beginning; thence East on a line parallel with the North line of said Southwood Park 2nd Addition (being the North line of a tract described in Deed from Albert M. Popp and wife, Clara A., to John A. Kordys and wife, Audrey F., recorded in Deed Record 1130, page 251 and said North line extended) a distance of 400 feet; thence North on a line parallel with the West line of the

Southeast Quarter of the Southeast Quarter of Section 16 (being the West line of said Parcel 1 above) a distance of 60 feet; thence West on a line parallel with the North line of said Southwood Park 2nd Addition which line is 60 feet North of and parallel to the first described course in this parcel, a distance of 400 feet to the West line of said Southeast Quarter of the Southeast Quarter of Section 16, thence South on said West line of the Southeast Quarter of the Southeast Quarter of Section 16, a distance of 60 feet to the point of beginning, in Lake County, Indiana.

