

STATE OF INDIANA
LAKE COUNTY
FILED FOR RECORD

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MICHAEL J. ...
RECORDER

MEMORANDUM OF GROUND LEASE

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THIS MEMORANDUM OF GROUND LEASE is made and entered into as of the 23rd day of June, 2005 by and between the GARY HOUSING AUTHORITY, a public body corporate and politic of the State of Indiana ("Lessor"); and HORACE MANN ASSOCIATES, L.P., a Missouri limited partnership ("Lessee").

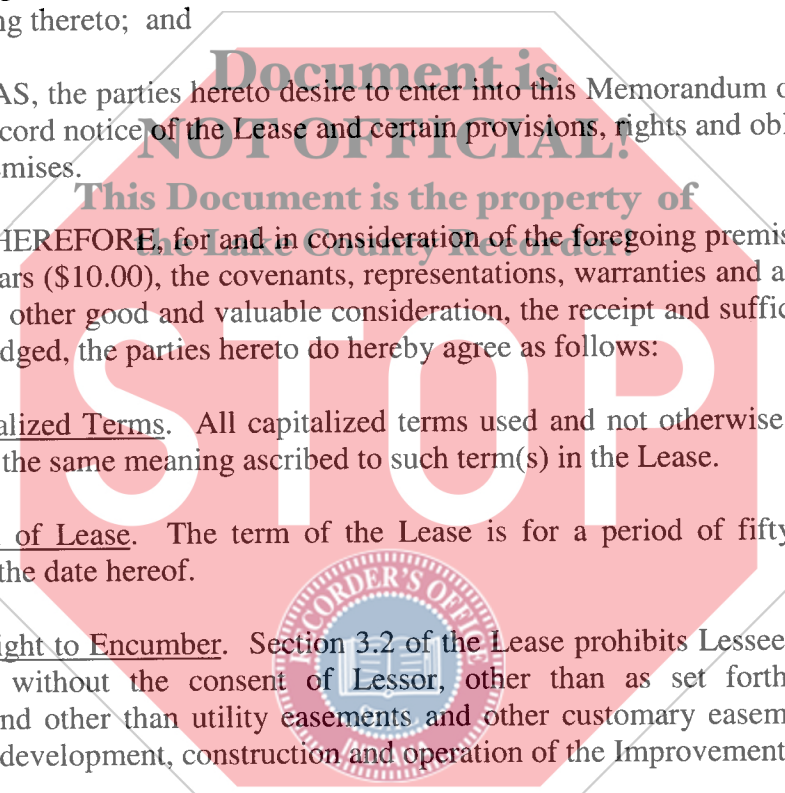
WITNESSETH:

WHEREAS, simultaneously herewith, Lessor and Lessee have entered into that certain Ground Lease Agreement (the "Lease"), pursuant to which Lessor has leased to Lessee those certain parcels of real property in the City of Gary, County of Lake, State of Indiana more particularly described on Exhibit A attached hereto and made a part hereof, together with the improvements, rights, easements, licenses, privileges and appurtenances thereunto attached or in any way belonging thereto; and

WHEREAS, the parties hereto desire to enter into this Memorandum of Lease in order to provide public record notice of the Lease and certain provisions, rights and obligations pertaining to the Leased Premises.

NOW, THEREFORE, for and in consideration of the foregoing premises, the sum of Ten and No/100 Dollars (\$10.00), the covenants, representations, warranties and agreements set forth in the Lease, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

1. Capitalized Terms. All capitalized terms used and not otherwise defined herein are used herein with the same meaning ascribed to such term(s) in the Lease.
2. Term of Lease. The term of the Lease is for a period of fifty-seven (57) years, commencing on the date hereof.
3. No Right to Encumber. Section 3.2 of the Lease prohibits Lessee from encumbering Lessee's Estate without the consent of Lessor, other than as set forth in the Permitted Encumbrances and other than utility easements and other customary easements necessary and incidental to the development, construction and operation of the Improvements.
4. Restrictions Applicable to Public Housing Units. Section 3.6 of the Lease contains the following restrictions regarding the use of the Public Housing Units:



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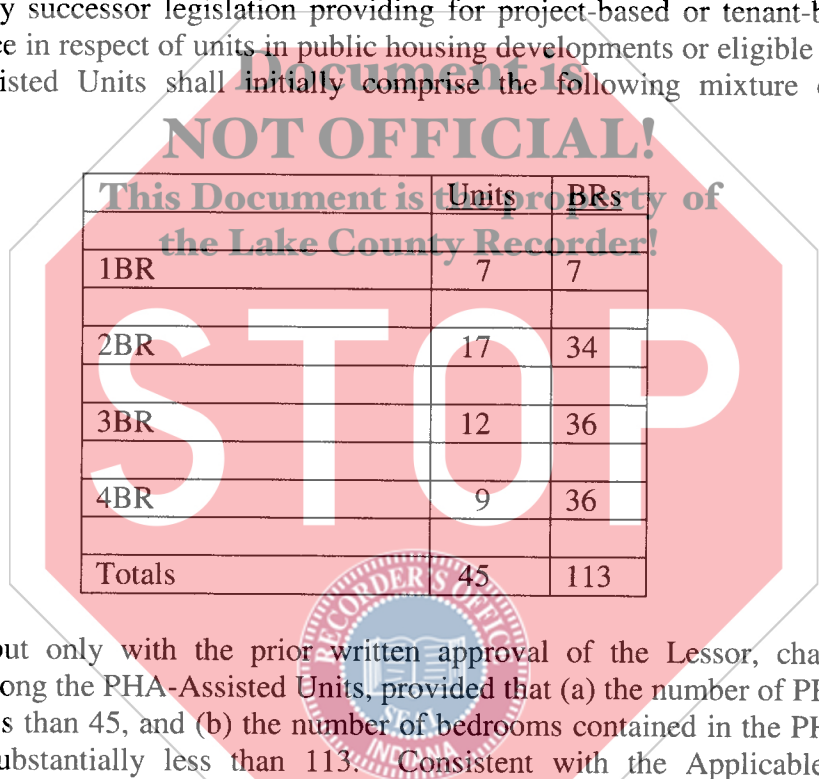
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" Section 3.6 Restrictions Applicable to PHA-Assisted Units.

(a) Subject to the provisions of Subsections 3.6(c) and (d) below, during the Term, Lessee will continuously set aside 45 units of the Improvements, having a total of 113 bedrooms and having initially the unit size distribution set forth below, as "public housing" units, for occupancy by public housing-eligible households at rents in compliance with all Applicable Public Housing Requirements (the units comprising such set-aside units being referred to herein collectively as the "PHA-Assisted Units"). In addition, Lessee shall maintain and operate the PHA-Assisted Units in accordance with the Regulatory and Operating Agreement and any other agreement entered into by Lessee with respect to the PHA-Assisted Units, and approved by the Lessor and HUD, with respect to the development, operation, and/or maintenance of the PHA-Assisted Units. Lessee shall also perform any and all acts reasonably necessary to enable the Lessor to fulfill its obligations to HUD with respect to the PHA-Assisted Units. Lessee shall take all actions reasonably necessary and appropriate to avoid a default (as defined in the ACC) with respect to the PHA-Assisted Units

Provided that the Lessee continues operating the PHA-Assisted Units in accordance with the Applicable Public Housing Requirements, and in accordance with the terms of the Regulatory and Operating Agreement, such units shall be eligible to receive the benefits of operating subsidies provided to the Lessor by HUD pursuant to Section 9(e) of the Act or pursuant to any successor legislation providing for project-based or tenant-based operating or rental assistance in respect of units in public housing developments or eligible occupants thereof. The PHA-Assisted Units shall initially comprise the following mixture of unit sizes and descriptions:



| | Units | BRs |
|--------|-------|-----|
| 1BR | 7 | 7 |
| 2BR | 17 | 34 |
| 3BR | 12 | 36 |
| 4BR | 9 | 36 |
| Totals | 45 | 113 |

Lessee may, but only with the prior written approval of the Lessor, change the bedroom distribution among the PHA-Assisted Units, provided that (a) the number of PHA-Assisted Units remains not less than 45, and (b) the number of bedrooms contained in the PHA-Assisted Units remains not substantially less than 113. Consistent with the Applicable Public Housing Requirements, a unit shall not lose its status as a PHA-Assisted Unit solely because the income of the tenant residing therein rises above the applicable public housing income limit; any such unit shall be governed by rules generally applicable to units occupied by over-income tenants in the public housing program (subject to such modifications in lease and occupancy terms as are permitted hereunder). Lessee may change the specific units designated as PHA-Assisted Units at

any time, provided that (a) if such change is to be made with respect to an occupied PHA-Assisted Unit, the tenant of such unit shall have the same rights with respect to occupancy and rent as applied prior to removal of the unit's designation as a PHA-Assisted Unit, and (b) the PHA-Assisted Units shall at all times, to the extent feasible, be scattered evenly throughout the Improvements, and within structures within the Improvements, and shall not be concentrated in any particular area or areas within the Improvements or within structures within the Improvements. In the event of a Taking or Casualty (as such terms are defined herein) that diminishes the total number of residential units in the Improvements below 123, the number or percentage of the units remaining following such Taking or Casualty (and following any construction or reconstruction undertaken by reason thereof or necessitated thereby) which shall be set aside as PHA-Assisted Units shall be determined in accordance with Section 9 of the Regulatory and Operating Agreement.

(b) During the period specified in Subsection 3.6(a) above Lessee shall maintain and operate the PHA-Assisted Units in compliance with the Applicable Public Housing Requirements and in accordance with this Ground Lease. In the event of any conflict between any of the provisions of this Lease and the Applicable Public Housing Requirements, the Applicable Public Housing Requirements shall control. In the event of any conflict among the Applicable Public Housing Requirements, the ACC (including any waivers granted pursuant thereto) shall control (to the extent permitted by law). Notwithstanding Lessee's agreement to perform the obligations set forth in the Regulatory and Operating Agreement, the Lessor remains legally responsible to HUD under the ACC for ensuring that Lessee (either directly or through its general contractor, management agent, or other agent) develops, operates, and maintains the PHA-Assisted Units in accordance with the Applicable Public Housing Requirements. The Lessor additionally shall monitor Lessee's performance for compliance with prevailing State and local laws relating to public housing.

The Lessor acknowledges that the Lessee's leasehold interest in the Leased Premises is subject to (i) the First Leasehold Mortgage Loan which is held by the First Leasehold Mortgagee, (ii) the Second Leasehold Mortgage Loan which is held by the Second Leasehold Mortgagee, (iii) the Third Leasehold Mortgage Loan which is held by the Lessor, in its capacity as the Third Leasehold Mortgagee and (iv) the Fourth Leasehold Mortgage Loan which is held by the Fourth Leasehold Mortgagee, and that so long as the First Leasehold Mortgage Loan, the Second Leasehold Mortgage Loan, the Third Leasehold Mortgage Loan and the Fourth Leasehold Mortgage Loan (collectively, the "Loans") are outstanding, the Lessee is obligated to operate, maintain and provide for management of the Improvements, including the PHA-Assisted Units, in accordance with the Loans, so long as such requirements (as applicable to the PHA-Assisted Units) are not inconsistent with the Applicable Public Housing Requirement and this Ground Lease.

(c) Subject to Subsection 3.6(d) hereof (it being expressly acknowledged and agreed that Lessee at no time shall be required to contribute from its own funds toward PHA-Assisted Units Expenses in order to preserve the character of the PHA-Assisted Units as such), nothing contained herein shall prevent or diminish the full application to the PHA-Assisted Units of any legislation enacted after the date hereof which provides for the termination of operating subsidies under Section 9 of the Act or of other Federal project-based assistance to public

housing developments, including, without limitation, any provision thereof releasing or otherwise modifying occupancy or tenant rent restrictions previously applicable to units in such developments.

(d) (i) It is of the essence of Lessee's obligation under this Section 3.6 that, during the Term, Lessee will maintain and operate the PHA-Assisted Units in accordance with the Applicable Public Housing Requirements as provided herein; provided, however, that if PHA-Assisted Units Income, plus any form of governmental operating or rental assistance received in respect of the PHA-Assisted Units (including, without limitation, withdrawals from the Lessor Reserve or other contributions by the Lessor) shall be less than PHA-Assisted Units Expenses, the Lessee shall at no time be required to contribute from its own funds (including funds derived from the operation of units other than the PHA-Assisted Units) toward PHA-Assisted Units Expenses in order to preserve the PHA-Assisted Units as required hereunder.

(ii) If Lessee and the Lessor concur that the quarterly statements of income and expenses for the PHA-Assisted Units delivered pursuant to subsection (a) above indicate a cumulative operating loss over a period of two successive quarterly periods (commencing not earlier than the quarterly period in which the Operating Subsidy Commencement Date (as defined in the Regulatory and Operating Agreement) shall occur), taking into account all payments of Development Operating Subsidy made by the Lessor during such period (exclusive of any withdrawals from the Operating Subsidy Reserve), Lessee shall have the right to seek to increase income from the PHA-Assisted Units by leasing PHA-Assisted Units, on turnover, to public housing-eligible families having higher income levels than eligible applicant families which would otherwise receive priority under the admissions procedures of the Lessee, provided that such admissions are in compliance with the Applicable Public Housing Requirements. Prior to instituting any such departures, the Lessee shall give notice to the Lessor of its intention to do so and shall provide the Lessor reasonable opportunity to agree to increase the amount of the Operating Subsidy Requirement in order to avoid or minimize the necessity of such departures. Lessee shall not be required to seek to reduce maintenance and other operating expenses allocable to the PHA-Assisted Units below the level of such expenses incurred for other units in the Improvements as a condition to, or as a preferred corrective action to, seeking to increase income from tenant rents in accordance with the foregoing provisions.

(e) The provisions of this Section 3.6, and the provisions of the Applicable Public Housing Requirements are intended to create a covenant running with the land and, subject to the terms and benefits of the Applicable Public Housing Requirements, to encumber and benefit the Leased Premises during the Term, and binding upon Lessor, Lessee and each of their respective successors in title and assigns and all subsequent owners of the Leased Premises and the Improvements, including, without limitation, any successor who acquires title to Lessee's Estate by foreclosure of a Leasehold Mortgage or instrument in lieu of foreclosure."

5. Transfer by Lessor. Section 16.2 of the Lease contains restrictions on the transfer of Lessor's Estate in the Leased Premises, including the following:

“(b) Lessor acknowledges and covenants that during such period when the PHA-Assisted Units are required by law to be maintained and operated as such and for ten (10)

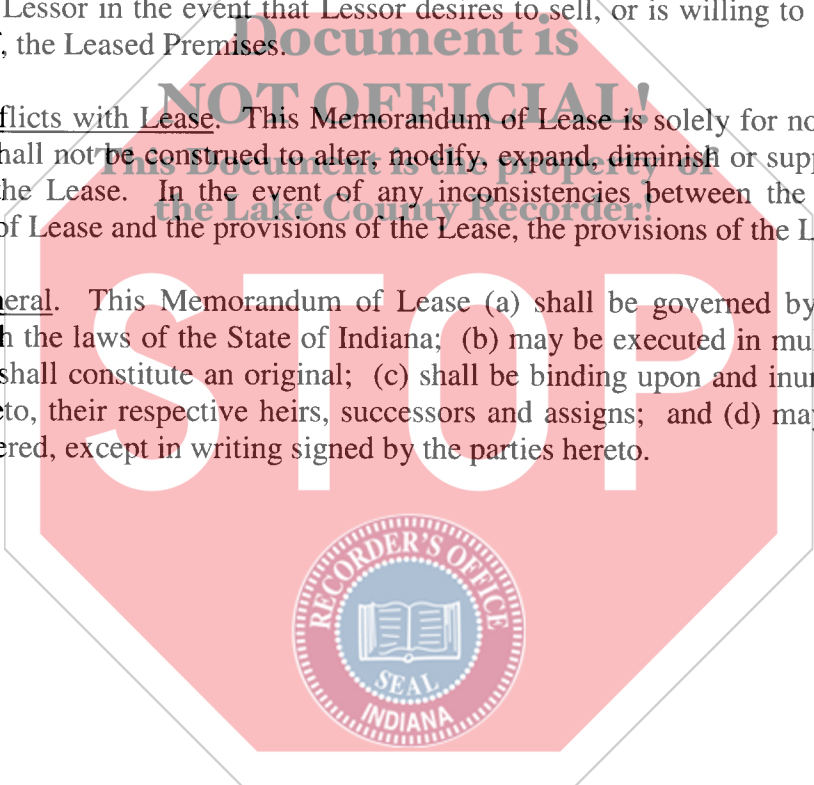
years after the period during which payments in respect of the PHA-Assisted Units shall have been made by HUD to Lessor pursuant to the Annual Contributions Contract, without regard to whether the foregoing period shall be within the Term of this Lease or shall extend beyond the expiration or earlier termination of the Term, no disposition of Lessor's interest in the PHA-Assisted Units (including its interest therein as Lessor hereunder) shall occur unless approved by the Secretary of HUD or his or her successor. The foregoing covenant shall be deemed to be a covenant running with the land made for the benefit of HUD and shall be enforceable by it during the Term, as well as by Lessee.

(c) Lessor acknowledges and covenants that it shall not Transfer Lessor's Estate during the period when the PHA-Assisted Units are required to be maintained and operated as such, to the extent that any such Transfer would jeopardize either the continuing tax exemption for the PHA-Assisted Units or the continued receipt of operating subsidy in respect of the Units by the Lessor from HUD or the continued payment of Development Operating Subsidy to Lessee under the Regulatory and Operating Agreement. The foregoing covenant shall be deemed to be a covenant running with the land made for the benefit of HUD and shall be enforceable by it during the Term as well as by Lessee."

6. Rights of First Offer and First Refusal. Article 17 of the Lease grants to Lessee certain rights of first offer and/or first refusal, as applicable, subject to applicable HUD requirements relating to disposition, giving Lessee the opportunity to purchase the Leased Premises from Lessor in the event that Lessor desires to sell, or is willing to accept an offer for the purchase of, the Leased Premises.

7. Conflicts with Lease. This Memorandum of Lease is solely for notice and recording purposes and shall not be construed to alter, modify, expand, diminish or supplement any of the provisions of the Lease. In the event of any inconsistencies between the provisions of this Memorandum of Lease and the provisions of the Lease, the provisions of the Lease shall govern.

8. General. This Memorandum of Lease (a) shall be governed by and construed in accordance with the laws of the State of Indiana; (b) may be executed in multiple counterparts, each of which shall constitute an original; (c) shall be binding upon and inure to the benefit of the parties hereto, their respective heirs, successors and assigns; and (d) may not be modified, amended or altered, except in writing signed by the parties hereto.



IN WITNESS WHEREOF, the parties hereto have caused this Memorandum of Lease to be made, executed and delivered as of the day and year first above written.

LESSOR:

GARY HOUSING AUTHORITY

By: *Estelle W. Brooks*
Estelle W. Brooks, Executive Director

LESSEE:

HORACE MANN ASSOCIATES, L.P.

By: MBA Urban Development Co., General
Partner



By: *Polly Kinslowe*
Polly Kinslowe, Vice President

STATE OF INDIANA)
) ss.
COUNTY OF LAKE)

On this 23rd day of June, 2005, personally appeared before me, Estelle W. Brooks, who, being by me duly sworn, did say that she is the Executive Director of Gary Housing Authority, a body corporate and politic of the City of Gary, Indiana, and that she has authority to execute under oath and has so executed the foregoing instrument for the purposes therein expressed as the free act and deed of said Authority.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal on the day and year first above written.

Terry Brown Collins
Notary Public

My Commission expires:



STATE OF INDIANA)
) ss.
COUNTY OF LAKE)

On this 23rd day of June, 2005, before me, a Notary Public in and for the County and State aforesaid, personally appeared Polly Kinslowe, to me personally known, who, being by me duly sworn, did say that she is Vice President of MBA Urban Development Co., a Missouri corporation and the sole general partner of Horace Mann Associates, L.P., a Missouri limited partnership, and acknowledge before me that, acting under due corporate and partnership authority, she executed the foregoing instrument for the purposes therein expressed as the free act and deed of said corporation, and of said limited partnership.

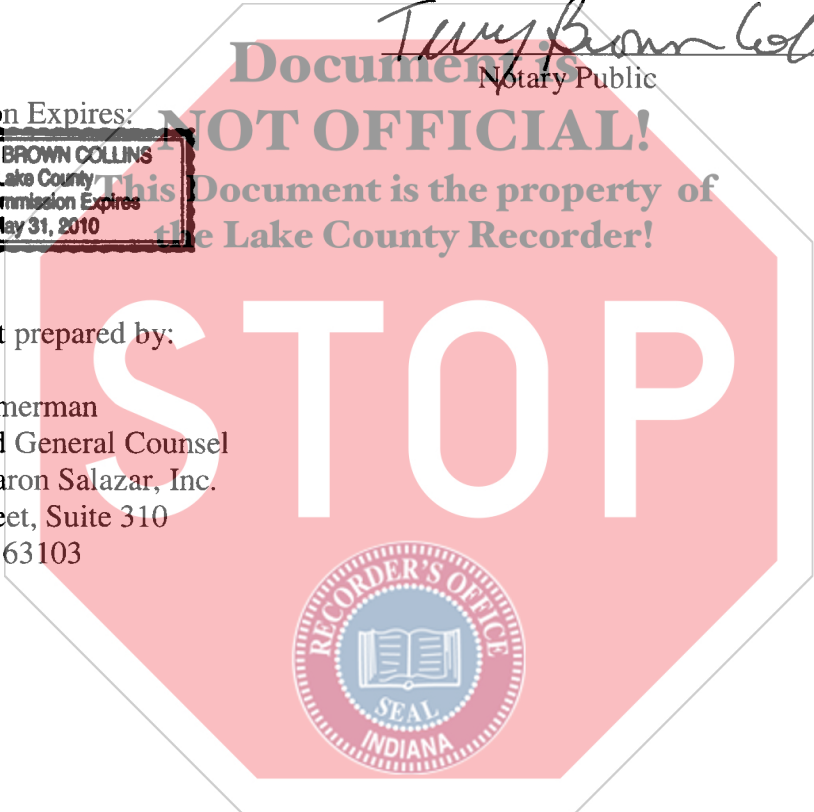
IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal in the aforesaid County and State, the day and year last above written.

Terry Brown Collins
Notary Public

My Commission Expires:



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This instrument prepared by:

Hillary B. Zimmerman
Senior V.P. and General Counsel
McCormack Baron Salazar, Inc.
1415 Olive Street, Suite 310
St. Louis, MO 63103

EXHIBIT A

LEGAL DESCRIPTION

Blocks 1, 2, 3, 4, 5, and 6 in Horace Mann Subdivision, recorded in Plat Book 96 page 54, in the Office of the Recorder of Lake County, Indiana.

