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STATE OF INDIANA
CLERK OF SUPERIOR COURT
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HAMMOND HOUSING AUTHORITY
LEASEHOLD MORTGAGE AND SECURITY AGREEMENT

THIS LEASEHOLD MORTGAGE AND SECURITY AGREEMENT (this "Mortgage") is made and given as of August 18, 2011, by American Heartland Homes Two LLC, an Indiana limited liability company, as grantor ("Borrower"), to The Housing Authority of the City of Hammond of Lake County, Indiana ("Lender"), a body politic and corporate under the laws of Indiana, having its principal place of business at 1402 173rd Street, Hammond, Indiana.

RECITALS

A. Borrower has executed and delivered its promissory note in the principal amount of \$3,313,941, having a maturity date of December 31, 2051 ("Note"), in favor of Lender evidencing a loan made by Lender to Borrower (the "Loan"). All terms not otherwise defined herein shall have the meanings given them in the Loan Agreement between Borrower and Lender of even date herewith ("Loan Agreement"). Collectively, the Loan Agreement, the Note, this Mortgage, and any collateral security instruments required by Lender are the "Loan Documents".

B. Borrower is lessee of a certain real property, situated in Hammond, Indiana more particularly described on Exhibit A attached hereto and made a part hereof ("Land") pursuant to the terms of a Ground Lease ("Ground Lease") of even date herewith by and between Lender as landlord and Borrower as Tenant, a Memorandum of which is to be recorded herewith..

NOW, THEREFORE, in consideration of the funding of the Loan, Borrower hereby pledges, mortgages, grants, warrants, conveys, and assigns to Lender and Lender's successors and assigns, as follows:

This Mortgage secures to the Lender (a) payment of the Note and any modifications, extensions or renewals thereof; (b) the payment of all other sums, with interest at the Default Rate specified in the Loan Agreement, advanced under this Mortgage to protect the Lender's security under this Mortgage; and (c) the performance of, and compliance with, each and every covenant, condition, agreement and obligation made or to be performed by Borrower pursuant to this Mortgage, the Loan Agreement, the Note, and any other instrument or agreement evidencing, securing or otherwise pertaining to the Loan (collectively (a) and (b) shall be referred to as the "Indebtedness" and (a) through (c) shall be referred to as the "Obligations").

For this purpose the Borrower irrevocably mortgages, grants, warrants, conveys and assigns to Lender its leasehold interest in the Land and Mortgaged Property (as hereinafter defined), to have and to hold the Land and Mortgaged Property unto Lender and Lender's successors and assigns forever, together with:

MERIDIAN TITLE CORPORATION
HAS MADE AN ACCOMODATION
RECORDING OF THIS DOCUMENT

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- (a) Any other greater interests in said Land now owned or hereafter acquired by Borrower;
- (b) All of Borrower's right, title and interest in and to those leases now or hereafter entered into by Borrower with respect to all or any portion of the Land and the improvements now or hereafter erected thereon ("Leases"), and all of the rents, additional rents, charges, issues, royalties, income, and profits payable under the Leases from the date hereof to the date of the end of the respective term of the Leases and any renewals and extensions thereof ("Rents");
- (c) All interests, estates or other claims, both in law and in equity, which Borrower now has or may hereafter acquire in or appurtenant to the Land;
- (d) All easements, rights-of-way and rights used in connection with the Land or as a means of access thereto, and all tenements, hereditaments and appurtenances thereof and thereto;
- (e) All right, title and interest of Borrower appertaining to the Land now owned or hereafter acquired, in and to any land lying within the right-of-way of any street, open or proposed, adjoining the Land, and any and all sidewalks, alleys and strips and lands adjacent to or used in connection with the Land; and
- (f) Any and all buildings and improvements now or hereafter erected thereon, including, but not limited to, the fixtures, attachments, appliances, equipment, machinery and other articles attached to said buildings and improvements, now or hereafter constructed, erected or placed upon the Land ("Improvements") (foregoing (a) through (f) shall be referred to collectively as the "Mortgaged Property");

For valuable consideration paid, and also to secure the Obligations, the Borrower grants to the Lender a security interest under the Uniform Commercial Code as enacted in Indiana ("Indiana UCC") in all personal property now owned or hereafter acquired by the Borrower and used in any way in connection with the construction, renovation or operation and occupancy of the Mortgaged Property, including without limitation:

- (a) All fixtures and other tangible personal property located at or on or intended to be used in connection with the Mortgaged Property; all articles of personal property now or hereafter attached to or intended to be used in or about or in connection with the Mortgaged Property; and all renewals or replacements thereof or articles in substitution therefor; whether or not the same are or shall be attached to the Mortgaged Property;
- (b) All contracts, contract rights, accounts, warranties, and agreements, including rights to return of deposits, prepaid premiums or other payments; receivables, rents, chattel paper and instruments, development rights, trade names, plans and specifications, permits, approvals and general intangibles and all other choices in action now or hereafter existing with respect to the Mortgaged Property, and all proceeds from the foregoing;
- (c) All insurance proceeds, including interest, payable in connection with any damage or loss to the Mortgaged Property; all eminent domain awards made with respect to the Mortgaged Property; and
- (d) All books and records relating to the operation of the Mortgaged Property;
- (e) BUT NOT INCLUDING any trade fixtures and personal property owned by tenants or occupants other than the Borrower or persons owned or controlled by the Borrower who occupy all or a portion of the Mortgaged Property pursuant to leases or occupancy agreements (collectively the foregoing (a) through (e) shall be referred to as "Personal Property").

NOW THEREFORE, the Borrower covenants and agrees with the Lender as follows:

1. **Promise to Pay and Perform.** The Borrower agrees to pay the principal of the Note and interest thereon and other charges due under the Note as the same shall become due and payable, and agrees to timely pay and perform all of the other Obligations.
2. **Title.** The Borrower owns the leasehold estate in the Land and the improvements on the Land and Mortgaged Property, has all right, power and authority to grant this Mortgage and shall make any further assurances of title, including without limitation execution of such mortgages, agreements or other documents, that the Lender may require as security for the Obligations. The Borrower agrees to perform and observe and not violate nor suffer the violation of any covenants, restrictions or other agreements of record against the Mortgaged Property.
4. **Promise to Maintain the Property.** The Borrower will protect and maintain in good order, repair and condition at all times, the Mortgaged Property, including without limitation all fixtures, utility services, parking areas, access roads and landscaping in existence from time to time and all Personal Property now or hereafter acquired and used in connection with the operation of the Mortgaged Property, promptly replacing any fixtures or Personal Property which may become lost, destroyed or unsuitable for use with other property of similar character and quality.

The Borrower will not commit or suffer any demolition, removal or material alteration of any of the Mortgaged Property after completion of the construction required by the Loan Agreement without the Lender's prior written consent, or commit or suffer any strip or waste, of the Mortgaged Property or any violation of law, rule, regulation, ordinance, license or permit, or the requirements of any licensing or insuring Lender, and will keep in full force and effect all licenses, permits and other governmental approvals, affecting the Mortgaged Property or any business conducted on the Mortgaged Property.

5. **Insurance Requirements.**

- (a) Borrower shall at all times maintain insurance policies that comply with the insurance requirements of the Regulatory and Operating Agreement.
- (b) Without limiting the foregoing, Borrower shall keep the Improvements insured at all times against such hazards as Lender may from time to time require, which insurance shall include but not be limited to coverage against loss by fire and allied perils, general boiler and machinery coverage, and business income coverage. Lender's insurance requirements may change from time to time throughout the term of the Indebtedness. If Lender so requires, such insurance shall also include sinkhole insurance, mine subsidence insurance, earthquake insurance, and, if the Mortgaged Property does not conform to applicable zoning or land use laws, building ordinance or law coverage. If any of the Improvements is located in an area identified by the Federal Emergency Management Agency (or any successor to that agency) as an area having special flood hazards, and if flood insurance is available in that area, Borrower shall insure such Improvements against loss by flood.
- (c) All policies of property damage insurance shall include a non-contributing, non-reporting mortgage clause in favor of, and in a form approved by, Lender. Lender shall have the right to hold the original policies or duplicate original policies of all insurance. Borrower shall promptly deliver to Lender a copy of all renewal and other notices received by Borrower with respect to the policies and all receipts for paid premiums. At least 30 days prior to the expiration date of a policy, Borrower shall deliver to Lender the original (or a duplicate original) of a renewal policy in form satisfactory to Lender.
- (d) Borrower shall maintain at all times commercial general liability insurance, workers' compensation insurance and such other liability, errors and omissions and fidelity insurance coverages as Lender may from time to time require.

(e) All insurance policies and renewals of insurance policies required by this Section shall be in such amounts and for such periods as Lender may from time to time require, and shall be issued by insurance companies satisfactory to Lender.

(f) Borrower shall comply with all insurance requirements and shall not permit any condition to exist on the Mortgaged Property that would invalidate any part of any insurance coverage that this Instrument requires Borrower to maintain.

(g) If the Mortgaged Property is sold at a foreclosure sale or Lender acquires title to the Mortgaged Property, Lender shall automatically succeed to all rights of Borrower in and to any insurance policies and unearned insurance premiums and in and to the proceeds resulting from any damage to the Mortgaged Property prior to such sale or acquisition.

6. **Casualty; Insurance Proceeds.**

(a) In the event of loss, Borrower shall give immediate written notice to the insurance carrier and to Lender. Borrower hereby authorizes and appoints Lender as attorney-in-fact for Borrower to make proof of loss, to adjust and compromise any claims under policies of property damage insurance, to appear in and prosecute any action arising from such property damage insurance policies, to collect and receive the proceeds of property damage insurance, and to deduct from such proceeds Lender's expenses incurred in the collection of such proceeds. This power of attorney is coupled with an interest and therefore is irrevocable. However, nothing contained in this Section shall require Lender to incur any expense or take any action. Lender shall apply the balance of such proceeds as provided in the Mixed Finance Amendment.

(b) To the extent that the Mixed Finance Amendment does not provide for the disposition of all or a portion of the proceeds, then Lender may, at Lender's option, (1) hold the balance of such proceeds to be used to reimburse Borrower for the cost of restoring and repairing the Mortgaged Property to the equivalent of its original condition or to a condition approved by Lender (the "Restoration"), or (2) apply the balance of such proceeds to the payment of the Loans, whether or not then due. To the extent Lender determines to apply insurance proceeds to Restoration, Lender shall do so in accordance with commercially reasonable lender practices relating to the restoration of casualty damage on similar multifamily properties.

7. **Eminent Domain.** Awards of damages for any condemnation for public use of or injury to the Mortgaged Property shall be applied in accordance with the requirements of the Loan Agreement and the Mixed Finance Amendment.

8. **Subordinate Mortgage.** Notwithstanding any provisions of this Mortgage or any other Loan Document to the contrary, it is understood and agreed that the lien, terms, covenants and conditions of this Mortgage are and shall be subordinate in all respects, including in right of payment, to the indebtedness secured by that certain Mortgage _____ of even date herewith (as may be amended, restated, replaced, supplemented or otherwise modified from time to time) executed and delivered by Borrower in favor of Citibank, N.A. ("Senior Mortgage") to secure a loan in the original principal amount of \$6,500,000, to be recorded herewith.

8A. **Transfer.** The Borrower will not voluntarily, involuntarily, or by operation of law, without the prior written consent of Lender:

(i) sell, further encumber (except for liens which are discharged or bonded off within thirty (30) days) or otherwise transfer the Mortgaged Property or any part thereof or any interest (whether legal or equitable) in the Mortgaged Property, or

(ii) enter into any new leases or amend or modify any existing lease(s) of all or any portion(s) of the Mortgaged Property other than leases of residential dwellings on a form of lease substantially the same as the lease approved by Lender; or

(iii) grant or create any easements other than utility easements, license, right-of-way, condition or covenant with respect to any portion of or interest in the Mortgaged Property; or

(iv) remove or replace the manager, managing member, general partner, or controlling stockholder of the Borrower;

(v) permit any sale, transfer, exchange, assignment or pledge of or grant of any security interest in any general partner or managing member interests in Borrower;

provided, however, that the replacement of Personal Property with items of substantially the same quality which are free of liens, without Lender's consent shall not constitute a default hereunder.

Notwithstanding the foregoing, Lender is deemed to have given its prior written consent to all transfers made pursuant to and in accordance with an Evidentiary Document or which are permitted without further Lender consent in any Evidentiary Document, including without limitation the Regulatory and Operating Agreement between the Borrower and the Hammond Housing Authority of even date herewith ("Regulatory and Operating Agreement"), the Borrower's First Amended and Restated Operating Agreement as in effect on the date hereof, and documents evidencing or securing the Loan (all as defined in the Loan Agreement)

9. **Borrower's Successors in Interest.**

(i) Successors in Interest Bound. The Lender may, without notice to any person, deal with any successor in interest to the Borrower regarding this Mortgage, the Obligations secured by this Mortgage and the Mortgaged Property in all respects as the Lender might deal with the Borrower without in any way affecting the Borrower's liability on the Obligations.

(ii) Obligations survive sale, forbearance, extension, etc. No sale of all or any part of the Mortgaged Property, nor any forbearance by the Lender, nor any extension by the Lender of the time for payment and performance of the Obligations secured by this Mortgage, shall operate to release, discharge or modify the liability of the Borrower or any and all successors in interest to Borrower, including the equity owner at the time of such sale, forbearance or extension.

10. **Taxes.** Subject to the provisions of Paragraph 16 below, the Borrower will pay before delinquent, and before any penalty for nonpayment attaches thereto, all taxes, payments in lieu of taxes, assessments and charges of every nature to whomever assessed that may now or hereafter be levied or assessed upon the Mortgaged Property or upon the rents, income or profits thereof or upon the lien or estate created by this Mortgage, if any of the foregoing are so levied or assessed, whether said taxes, payments in lieu of taxes, assessments or charges are levied directly or indirectly or as excise taxes or as income taxes.

11. **No Other Liens.** The Borrower (a) will pay before a lien may attach all sums which, if unpaid, may result in a lien on any of the Mortgaged Property of superior or inferior priority to this Mortgage other than Permitted Encumbrances as defined in the Loan Agreement), or if a lien attaches, causes it to be released or bonded off within sixty (60) days and (b) will pay all sums which, if unpaid, may result in conferring upon a tenant of all or any part of the Mortgaged Property a right to recover such sums as prepaid rent.

12. **Hazardous Waste.** Borrower agrees to fulfill the responsibilities set forth below with respect to environmental matters:

(a) Borrower shall operate the Land in compliance with all Environmental Laws (as defined in Exhibit B) applicable to Borrower relative to the Land and the Improvements. All required governmental permits and licenses issued to Borrower and associated with the Land and the Improvements shall remain in effect or shall be renewed in a timely manner, and Borrower shall comply therewith. All Hazardous Materials (as defined in Exhibit B) handled, generated or used on the Land and the Improvements will be transported and disposed of in a lawful manner. Borrower shall not knowingly permit the Land or any portion thereof to be a site for the use, generation, treatment, manufacture, storage, disposal or transportation of hazardous substances and materials, except in such amounts as are ordinarily used, stored or generated in similar projects, or otherwise knowingly permit the presence of hazardous substances and materials in, on or under the Land in violation of any applicable law.

(b) Borrower shall provide Lender with copies of all forms, notices and other information received concerning any releases, spills or other incidents relating to Hazardous Materials or any violations of Environmental Laws at or relating to the Land when and as supplied to any government agency.

13. **Leases.** Borrower covenants, at its sole cost and expense, to: observe and perform, or cause to be observed and performed, each and every term, covenant and provision of the Leases on the part of the landlord thereunder to be observed and performed;

Borrower shall not, without the prior written consent of the Lender, (a) assign or attempt to assign the Leases or any portion of the Rents to become due and payable thereunder, or (b) accept prepayment of the Rents for a period of more than one (1) month in advance (other than security deposits under the Leases) and covenants not to enter into any lease of any part of the Mortgaged Property, other than leases of residential units to residential tenants in the ordinary course of Borrower's business on a form of lease and at rents approved by Lender, without the Lender's prior written consent on each occasion, which consent may be withheld if the same might, in the Lender's judgment, impair the value of the Mortgaged Property.

14. **Assignment of Leases and Rents.** The Lender waives the right to enter the Premises for the purpose of collecting the Rents, and grants Borrower the right to collect the Rents. Borrower shall hold and apply the Rents for the payment of the operating expenses of the Mortgaged Property.

Upon the occurrence of an Event of Default, and subject to the rights of any lender having a lien prior to that of the Lender's, the tenants under the Leases shall, upon notice from the Lender of an occurrence of such Event of Default, thereafter pay to the Lender, or to any appointed receiver the Rents due or to become due under the Leases without any obligations to determine whether or not such Event of Default does in fact exist and Borrower shall facilitate in all reasonable ways the collection of the Rents by the Lender, and will, upon the request of the Lender, execute written notices to the tenants under the Leases directing said tenants to pay the Rents to the Lender, which Rents may be retained and applied by the Lender, toward the payment of the Obligations in such priority and proportions as the Lender, in its sole discretion, may deem proper, or to the operation, maintenance and repair of the Mortgaged Property.

15. **Indemnification.** Borrower will protect, indemnify and save harmless Lender from and against all third-party liabilities, obligations, claims, damages, penalties, causes of action, costs and expenses (including, without limitation, reasonable attorneys' fees actually incurred and expenses except as may be limited by law or judicial order or decision entered in any action brought to recover moneys under this Section) imposed upon, incurred by or asserted against Lender by reason of (a) any accident, injury to or death of persons or loss of or damage to property occurring on or about the Mortgaged Property or any part thereof or the adjoining sidewalks, curbs, vaults and vault space, if any, streets or ways, (b) any use, disuse or condition of the Mortgaged Property or any part thereof, or the adjoining sidewalks, curbs, vaults and vault space, if any, streets or ways, (c) any material failure on the part of the Borrower to

perform or comply with any of the terms hereof, (d) any necessity to defend any of the rights, title or interests conveyed by this Mortgage or (e) the performance of any labor or services or the furnishing of any materials or other property in respect of the Mortgaged Property or any part thereof; provided however, the indemnity herein contained shall not apply to liabilities, obligations, claims, damages, penalties, cause of action, costs and expenses caused materially by acts or omissions of Lender, its agents and employees. If any action, suit or proceeding is brought against Lender for any such reason, the Borrower, upon the request of the Lender, will at the Borrower's expense, cause such action, suit or proceeding to be resisted and defended by Borrower. Any expenses of Lender incurred pursuant to this Section which are not paid within thirty (30) days after written demand therefor shall bear interest at the default rate specified in the Note from the date of such demand, and such amounts, together with such interest, shall be indebtedness secured by this Mortgage. The obligations of the Borrower under this section for liability arising from events occurring prior to defeasance of this Mortgage shall survive any such defeasance.

16. **Borrower's Right to Contest Certain Restrictions.** The Borrower shall have the right to contest by appropriate legal proceedings at the Borrower's sole expense, the validity of any laws, ordinances, orders, rules or regulations affecting the Mortgaged Property if compliance therewith may be contested without the imposition of any charge, lien or liability against the Mortgaged Property and without the loss or suspension of any license, right or permit with respect to the Mortgaged Property, and the Borrower may postpone compliance therewith until the completion of any such proceedings, provided the proceedings are commenced promptly and prosecuted to completion with due diligence; but if any charge, lien or liability is incurred or any license, right or permit is revoked or suspended, or if, in the Lender's judgment delay in compliance might impair the value of the Mortgaged Property as security for the Obligations, the Borrower may make the contest and delay compliance only if the Lender is furnished with security reasonably satisfactory to the Lender against any loss or injury which in the Lender's judgment could occur by reason of such noncompliance or delay.

17. **Lender's Right to Act.** If the Borrower neglects or refuses, after 30 days written notice from Lender and opportunity to cure, (a) to maintain and keep in good repair the Mortgaged Property as required by this Mortgage, (b) to maintain, and pay when due the premiums for, all insurance required by this Mortgage, (c) to pay and discharge all taxes, payments in lieu of taxes, assessments and charges of every nature to whomever assessed as required by this Mortgage, (d) to pay the sums and perform the Obligations required to be paid and performed, (e) to pay, perform or otherwise satisfy any other term or condition of this Mortgage or of any other Loan Document, the Lender, at its election, may cause such repairs or replacements to be made, obtain such insurance, pay said taxes, payments in lieu of taxes, assessments and charges, incur and pay reasonable amounts in protecting the Lender's rights and interest under this Mortgage or the other Loan Documents and in the security granted by this Mortgage, pay any balance due under any mortgage, security interest or conditional agreement of sale of any of the Mortgaged Property, and pay any amounts as the Lender deems necessary or appropriate to satisfy any term or condition of this Mortgage which the Borrower shall have failed to satisfy, and remedy any breach of such term or condition. No payment by the Lender shall relieve the Borrower from any default under this Mortgage or impair any right or remedy of the Lender consequent thereon.

18. **Personal Property.** This Mortgage or a substitute document provided by the Lender, is to be filed with the Land Records of Lake County, Indiana, as a financing statement pursuant to the Indiana UCC, and shall be considered to be a security agreement given to secure a loan made for the purpose of erecting buildings on the Mortgaged Property. All covenants and obligations of the Borrower in this Mortgage shall be deemed to apply to the Personal Property to the extent applicable, whether or not expressly referenced in this Mortgage.

Any reproductions of this Mortgage or of any other security agreement or financing statement shall be sufficient as a financing statement. In addition, Borrower agrees to execute and deliver to Lender, upon

Lender's request, any financing statements, as well as extensions, renewals, and amendments thereof, and reproductions of this Mortgage in such form as Lender may require to perfect a security interest with respect to said items. Borrower shall pay all costs and expenses of filing such financing statements and any extensions, renewals, amendments and releases thereof, and shall pay all reasonable costs and expenses of any record searches for financing statements Lender may reasonably require.

Upon an Event of Default (defined below), Lender shall have the remedies of a secured party under the Indiana UCC and, at the Lender's option, may also invoke the remedies provided in this Mortgage as to such items. In exercising any of said remedies, Lender may proceed against the items of Mortgaged Property separately or together and in any order whatsoever, without in any way affecting the availability of Lender's remedies under the Indiana UCC or of the remedies provided in this Mortgage.

19. **Events of Default.** Each of the following shall constitute an "Event of Default" for purposes of this Mortgage:

- (a) The failure by the Borrower to make any payment according to the terms, tenor, and effect of this Mortgage, including, but not limited to, any repayment of the Loan as and when required under the Loan Agreement and the Note, or payment of insurance premiums, penalties, taxes, payments in lieu of taxes, charges, etcetera, in each case within thirty (30) calendar days after receipt of written notice from the Lender after the same shall become due and payable, whether at maturity, by acceleration, or otherwise;
- (b) Borrower's default under the Senior Mortgage or in the payment or performance under any promissory note, loan agreement, loan document or other undertaking secured by the Senior Mortgage Lease if such default is not cured or remedied within any applicable cure period available thereunder;
- (c) Borrower's default under the Ground Lease if such default is not cured or remedied within any applicable cure period available thereunder;
- (d) Except as otherwise provided herein, the failure of the Borrower to promptly and accurately perform any other covenant or agreement contained in the Loan Agreement or the other Loan Documents, and the additional failure to cure or remedy such within a period of thirty (30) days after written notice thereof; provided, however, that if such failure cannot be remedied in such time, the Borrower shall have an additional one hundred eighty (180) calendar days to remedy such failure as long as the Borrower commences efforts to cure within thirty (30) calendar days and, in the reasonable determination of the Lender, diligently and in good faith pursues such cure or remedy;
- (e) The Borrower abandons work, or ceases work for a period of more than thirty (30) consecutive days (unless such cessation is due to Excusable Delays, and subject to the further caveat that in order for the Borrower's lack of performance to be excused due to Excusable Delays, the Borrower, within a reasonable time after the beginning of any enforced delay, shall first have notified the Lender in writing stating the cause or causes thereof and requesting an extension of time for its performance for the period of the Excusable Delay);
- (f) Any representation, warranty or certificate given or furnished by the Borrower shall prove to be materially false as of the date on which the representation, warranty or certification was given and shall prove to have a material adverse effect on the Lender; provided, however, that if any representation, warranty or certification which proves to be materially false is due to the Borrower's inadvertence (as determined by the Lender), the Borrower shall have a thirty (30) calendar day opportunity, after written notice

thereof, to cause such representation, warranty or certification to be full, true, and complete in every respect;

- (g) The Borrower fails to pay any amount due under or pursuant to, or to perform any obligation required by or arising from, any one or more of the Loan Documents and such failure continues uncured beyond any applicable grace period provided for therein or, in the absence of any such grace period, beyond a period of thirty (30) days following written notice of such failure by Lender to Borrower;
- (h) The Borrower shall file, or have filed against it, a petition of bankruptcy, insolvency or similar action pursuant to state or federal law, or shall file any petition or answer seeking, consenting to, or acquiescing in, any reorganization, arrangement, readjustment, liquidation, dissolution or similar relief, and such petition shall not have been vacated within one hundred twenty (120) days after filing; or shall be adjudicated bankrupt or insolvent, under any present or future statute, law, regulation, either state or federal, and such judgment or decree is not vacated or set aside within one hundred twenty (120) calendar days after such determination;
- (i) The Borrower shall make an assignment for the benefit of creditors, or shall submit in writing its inability to pay its debts generally as they become due;
- (j) The Borrower consents to, or acquiesces in, the appointment of a receiver, liquidator, or trustee of itself or of the whole or any substantial part of its properties or assets or a court of competent jurisdiction enters an order, judgment or decree appointing a receiver, liquidator or trustee of the Borrower, or of the whole or any substantial part of the property or assets of the Borrower, and such order, judgment or decree shall remain unvacated or not set aside or unstayed for one hundred twenty (120) days;
- (k) Any attachment, execution or other lien, whether voluntary or involuntary, including mechanics liens, is filed against the Development and is not discharged or dissolved by a bond within one hundred twenty (120) days;
- (l) An event of default shall occur under any loan made by Lender to Borrower with respect to for the Development that is not cured within any applicable cure period;
- (m) There is a material default by Borrower under the Regulatory and Operating Agreement which is not cured within the applicable cure period provided therein.

20. Remedies Generally.

(a) Upon the occurrence of an Event of Default under this Mortgage that is not cured within the applicable cure periods stated herein ("Enforceable Default"), Lender may elect any of the remedies in this Mortgage, provided however, that Lender's remedies and rights provided by this Mortgage and by any collateral security instrument are to be in addition to any and all other of Lender's remedies and rights now or hereafter provided by law; such remedies may be enforced individually or collectively. Nothing in this Mortgage shall be construed as obligating the Lender to take any action or incur any liability with respect to the Mortgaged Property or any business conducted on the Mortgaged Property, and all powers and rights given to the Lender are solely for the Lender's benefit and shall be exercised for the purpose of protecting the security value of the collateral granted in, and securing repayment of all indebtedness secured by, this Mortgage and other Loan Documents.

(b) Notwithstanding the foregoing, Lender shall have no right to exercise any remedy hereunder unless Lender shall first have provided to Borrower's Investor (as identified in the Loan Agreement)

written notice of any Event of Default or Lender's intent to exercise a remedy, at least thirty (30) calendar days in advance of the effective date of any such exercise of remedy if the default is capable of being cured by the payment of money, and at least forty-five (45) calendar days in advance of the effective date of any such exercise of remedy if the default is not capable of being cured by the payment of money. If upon receipt of said written notices from the Lender, the Investor shall have caused the Borrower to cure the Event of Default or shall have exercised its right under the Operating Agreement (as defined in the Loan Agreement) to remove the managing member, and if such substitute managing member within sixty (60) days of being admitted to Borrower either has cured such default or has commenced to cure and thereafter diligently and continuously pursues same, then Borrower shall not be considered in default or breach of this Mortgage.

21. **Remedy: Declare Indebtedness Due.** Subject to the provisions of Section 19(b), upon an event of Enforceable Default, Lender may declare all indebtedness secured by this Mortgage immediately due and payable.

22. **Remedy: Foreclosure.**

(a) Upon the occurrence of an Enforceable Default, Lender may institute an action of mortgage foreclosure pursuant to applicable law and proceed to final judgment and execution thereon for the the amount of the Obligations (as of the date of such judgment) and may invoke any other remedies permitted by applicable law or provided in this Mortgage or in any Loan Document.

Lender shall apply the proceeds of the sale in the following order: (a) to all costs and expenses of the sale, including Lender's fees not to exceed 5% of the gross sales price, reasonable fees and out-of-pocket expenses of attorneys and costs of title evidence; (b) to the Indebtedness in such order as Lender, in Lender's discretion, directs; and (c) the excess, if any, to the person or persons legally entitled thereto.

Lender may, and upon request of Lender shall, from time to time, postpone any sale hereunder by public announcement thereof at the time and place noticed therefor or by giving notice of the time and place of the postponed sale in the manner required by law. If the Property consists of several lots, parcels or items of property, Lender may designate the order in which such lots, parcels or items shall be offered for sale or sold. In the event of any such sale, the Lender may bid for and purchase the Property (or such portion thereof as may be offered for sale) and shall be entitled to apply all or any part of the amount secured by this Mortgage as a credit to the purchase price. At any foreclosure sale, such portion of the Property as is offered for sale may be offered for sale for one total price, and the proceeds of such sale accounted for in one account without distinction between the items of security or without assigning to them any proportion of the proceeds, the Borrower hereby waiving the application of any doctrine of marshaling. If less than all of the Property is sold at foreclosure and any of the Obligations remain outstanding after the sale proceeds are applied thereto, this Mortgage shall continue as a lien on the Property remaining unsold, and the Lender may at any time thereafter direct the Lender to sell the same as provided above. Pursuant to the Indiana UCC, Lender is expressly authorized and empowered to expose to sale and sell, together with the real estate, any portion of the Property which constitutes personal property. If personal property is sold hereunder, it need not be at the place of sale. In the event of default of any purchaser, Lender shall have the right to resell the Property as set forth above.

(b) The proceeds of any sale made under or by virtue of this Section, together with all other sums which then may be held by Lender or Lender under this Mortgage whether under the provisions of this Section or otherwise, shall be applied as follows:

(i) To the payment of the costs, fees and expenses of sale and of any judicial proceedings wherein the same may be made, including the cost of evidence of title in connection with the sale,

reasonable counsel fees to the attorneys representing the Lender or the Lender, compensation to the Lender including a reasonable commission and the Lender's actual costs and expenses in connection with the sale, and to the payment of all other expenses, liabilities and advances made or incurred by Lender or the Lender under this Mortgage, together with interest on all advances made by Lender or Lender; and then

(ii) To the payment of all taxes, levies and assessments with costs and interest thereon from the date of advance to the date of sale at an interest rate equal to the interest rate applicable under the Note, if they have priority over the lien of this Mortgage, including all monies previously advanced for taxes, levies, assessments and the due pro rata portion thereof for the current year; and then

(iii) To the payment of any and all sums expended by Lender under the terms hereof, not then repaid, with accrued interest at the Default Rate set forth in the Note, and all other sums (except advances of principal and interest thereon) required to be paid by Borrower pursuant to any provisions of this Mortgage or the Note, including, without limitation, all expenses, liabilities and advances made or incurred by Lender under this Mortgage or in connection with the enforcement thereof, together with interest thereon as herein provided; and then

(iv) To the payment of the entire Debt, and any other obligation secured hereby, with interest on the unpaid principal at the rate set forth in the Note from the date of advancement thereof until the same is paid in full; and then

(v) The remainder, if any, to the person or persons, including the Borrower, legally entitled thereto.

(c) Every provision of this Mortgage to the contrary notwithstanding, prior to the Maturity Date, the Lender shall not exercise a foreclosure remedy during any period in which an affiliate of Lender is the managing member of Borrower if Borrower is a limited liability company, or the general partner of Borrower if Borrower is a limited partnership.

23. Remedy: Enter and Take Possession. Upon an event of Enforceable Default, Lender may enter and take possession of all or any part of the Mortgaged Property and use, operate, construct, reconstruct, manage and control the same and conduct the business of the Mortgaged Property, and perform Borrower's obligations under the Leases and collect the Rents, all as the Lender shall in its judgment deem appropriate, and take any action with regard thereto as in the Lender's judgment is required by law;

(a) Upon such entry, the Lender may at the Borrower's expense make all such reasonable repairs, replacements, alterations, additions and improvements to the Mortgaged Property as the Lender in good faith may deem appropriate and may exercise all rights and powers of the Borrower, either in the Borrower's name or otherwise as the Lender may determine.

(b) Upon such entry, the Lender may, at its option, pay and incur all expenses which the Lender believes are reasonably necessary or appropriate for the holding and operating of the Mortgaged Property, the conduct of any business thereon and the maintenance, repair, replacement, alteration, addition or improvement of the Mortgaged Property, including, without limitation, taxes, payments in lieu of taxes, assessments, insurance, wages of employees connected with the Mortgaged Property or any business conducted on the Mortgaged Property, charges and reasonable compensation actually incurred for service of the Lender, the Lender's attorneys and accountants and all other persons engaged or employed in connection therewith or any business conducted thereon. The Lender, at its election, may make payments or incur liabilities with respect to obligations arising prior to the date the Lender takes possession.

(c) The Lender may add all obligations so paid or incurred to the Loan Amount to be payable, bear interest and be secured as provided in this Section, or deducted from the income or receipts of the Mortgaged Property or any business conducted on the Mortgaged Property.

(d) This Mortgage shall not be deemed or construed to obligate the Lender to take any action or incur any expenses or perform and discharge any duty or obligation, and Borrower hereby agrees to indemnify and hold the Lender harmless from and against any liability, loss or damage, including, but not limited to, reasonable attorney's fees actually incurred which the Lender may or might incur under the Mortgage or under, or by reason of, this Mortgage, and from and against any and all claims whatsoever which may be asserted against the Lender by reason of any alleged obligation or undertaking on the Borrower's part to perform or discharge any of the terms, covenants or provisions contained in the Leases.

24. **Remedy: Sale Under Indiana UCC.** Upon an event of Enforceable Default, Lender may exercise its power of sale pursuant to the Indiana UCC and sell the Personal Property or any part of the Personal Property, either separately from or together with the real property portion of the Mortgaged Property or any part of the Mortgaged Property, either as one unit or in such separate units, all as the Lender may elect; and the Lender may sell the Mortgaged Property as one unit or parcel or in such separate units or parcels as Lender may elect; and may sell the Mortgaged Property or any part of the Mortgaged Property either separately from or together with the whole or any part of other collateral which may constitute security for any Obligation secured by the Mortgaged Property as the Lender in its discretion may elect. In the event of any separate sale of Personal Property, the Lender will give the Borrower reasonable notice of the time and place of any public sale or of the time after which any private sale or other intended disposition thereof is to be made.

25. **Remedies: Borrower's Waivers.** The Borrower, to the fullest extent that the Borrower may do so, hereby: (a) agrees that the Borrower will not at any time insist upon, plead, claim or take the benefit or advantage of any law now or hereafter in force providing for any appraisal, valuation, stay or extension, and waives and releases all rights of valuation, appraisal, or stay of execution; and (b) waives all rights to a marshaling of the Borrower's assets, including, without limitation, the Mortgaged Property, and to a sale in inverse order of alienation in the event of a sale under this Mortgage of the Mortgaged Property or Personal Property, and agrees not to assert any right under any statute or rule of law pertaining to the marshaling of assets, sale in inverse order of alienation or other matters whatever to defeat, reduce or affect the Lender's rights under the terms of this Mortgage or the Note or any other Loan Document (except where otherwise permitted herein) to a sale of the Mortgaged Property for the collection of the Obligations, including without limitation the indebtedness evidenced by the Note, without any prior or different resort for collection, or the Lender's right to the payment of such indebtedness out of the proceeds of sale of the Mortgaged Property in preference to every other claimant whatever.

26. **Definitions.** Terms not defined herein shall have the same meaning as in the Loan Agreement.

27. **Notices.** Any demand, notice or request by either party to the other hereunder or under any other Loan Document shall be sufficient if in writing and given in the manner called for in the Loan Agreement.

28. **Waiver.** No consent or waiver, express or implied, by the Lender to or of any default by the Borrower shall be construed as a consent or waiver to or of any other default at the same time or upon any future occasion.

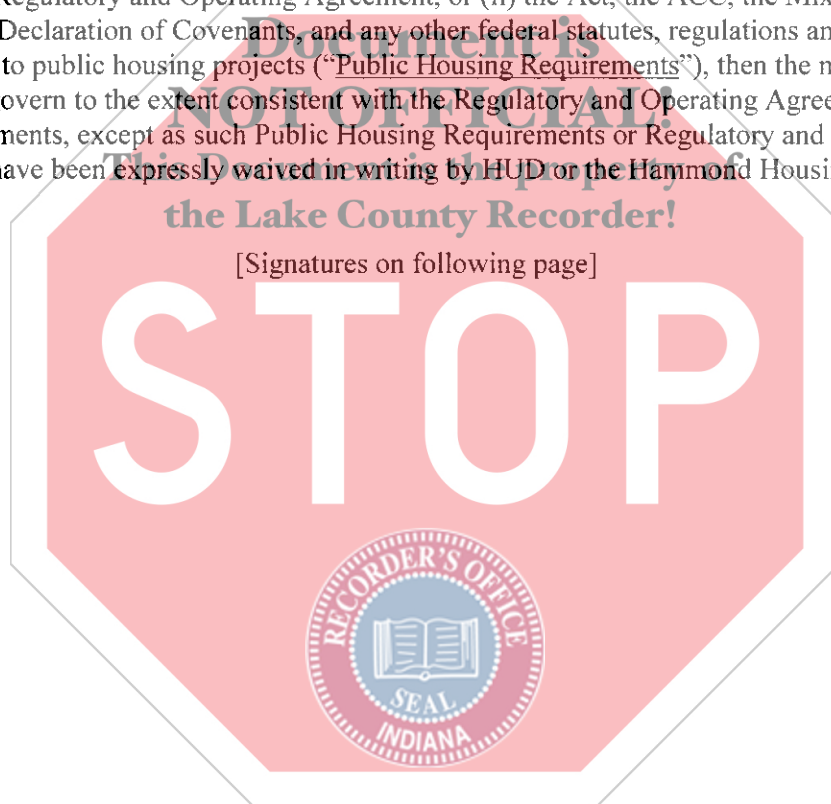
29. **Amendment.** This Mortgage can be amended or otherwise altered, terminated or discharged only by a writing signed by the party to be charged therewith.

30. **Partial Invalidity.** In case any one or more of the provisions of this Mortgage are held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Mortgage.

31. **Binding Obligations; Headings.** This Mortgage shall inure to the benefit of and be binding upon the Borrower and the Lender and their respective representatives, successors and assigns. The terms Borrower and Lender shall include all subsequent holders of their respective right, title and interest under the Note, this Mortgage and each other Loan Document. Headings are only for convenience of reference and do not alter the meaning of any section.

32. **Limited Recourse.** Except as provided in the Loan Agreement, Borrower shall have no personal liability for payment or performance of the obligations of this Mortgage.

34. **Public Housing Unit Provisions.** By the acceptance and recording hereof, the Lender acknowledges that certain dwelling units to be developed on the Mortgaged Property are further subject to the Regulatory and Operating Agreement and constitute a public housing project as defined in the U.S. Housing Act of 1937, 42 U.S.C. Sec. 1937, as amended (“Act”). The Public Housing Units are subject to all requirements applicable to a public housing project under the Act, including, without limitation, requirements with respect to operating receipts and operating expenditures as contained in that certain public housing Annual Contributions Contract (“ACC”) between the Hammond Housing Authority and the U.S. Department of Housing and Urban Development (“HUD”) and the Mixed-Finance Amendment thereto. In the event of any conflict between a provision of this Mortgage that affects the Public Housing Units and (i) the Regulatory and Operating Agreement, or (ii) the Act, the ACC, the Mixed Finance Amendment, the Declaration of Covenants, and any other federal statutes, regulations and executive orders applicable to public housing projects (“Public Housing Requirements”), then the more restrictive provisions shall govern to the extent consistent with the Regulatory and Operating Agreement or Public Housing Requirements, except as such Public Housing Requirements or Regulatory and Operating Agreement may have been expressly waived in writing by HUD or the Hammond Housing Authority, as appropriate.



Description of Property

Parcel 1

All of Lot 11 in the Columbia Center Unit 4 (a Planned Unit Development) Addition to the City of Hammond, Indiana as recorded in the Lake County Recorder's Office in Plat Book 105 Page 11. Lying in the northwest quarter of the northeast quarter of Section 18, Township 36 North, Range 9 West, of the second principal meridian, in the City of Hammond, Lake County, Indiana, containing 2.811 acres more or less.

Parcel 2

All of Lot 12 in the Columbia Center Unit 5 (a Planned Unit Development) Addition to the City of Hammond, Indiana as recorded in the Lake County Recorder's Office in Plat Book 105 Page 12. Lying in the northwest quarter of the northeast quarter of Section 18, Township 36 North, Range 9 West, of the Second Principal Meridian, in the City of Hammond, Lake County, Indiana. Containing 1.320 acres more or less.



Environmental Definitions

“Environmental Laws” means any present or future federal, state or local law, ordinance, rule, regulation, permit, license or binding determination of any governmental authority relating to, imposing liability or standards concerning, or otherwise addressing the environment, health or safety, including, but not limited to: the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. Section 9601 et seq. (“CERCLA”); the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 et seq. (“RCRA”); the Toxic Substances Control Act, 15 U.S.C. Section 2601 et seq. (“TOSCA”); the Clean Air Act, 42 U.S.C. Section 7401 et seq.; and the Clean Water Act, 33 U.S.C. Section 1251 et seq. and any so-called Superfund” or Superlien” law; and the Occupational Safety and Health Act, 29 U.S.C. Section 651 et seq. (“OSHA”), as each is from time to time amended and hereafter in effect.

“Hazardous Materials” means:

- (a) “hazardous substances” as defined by CERCLA;
- (b) “hazardous wastes” as defined by RCRA;
- (c) any hazardous, dangerous or toxic chemical, waste, pollutant, contaminant or substance (“pollutant”) within the meaning of any Environmental Law prohibiting, limited or otherwise regulating the use, exposure, release, emission, discharge, generation, manufacture, sale, transport, handling, storage, treatment, reuse, presence, disposal or recycling of such pollutant;
- (d) petroleum crude oil or fraction thereof;
- (e) any radioactive material, including any source, special nuclear or by-product material as defined in 42 U.S.C. Section 2011 et seq. and amendments thereto and reauthorizations thereof;
- (f) asbestos-containing materials in any form or condition; or
- (g) polychlorinated biphenyls in any form or condition.

