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supplemented or modified and the terms and conditions of which are hereby incorporated herein by reference. Mortgagor hereby covenants and agrees to perform and fulfill or cause to be performed and fulfilled, all the terms, covenants and conditions of the Loan Agreement, and the occurrence of a default or an Event of Default under the Loan Agreement shall constitute an Event of Default (as hereinafter defined) under this Mortgage. A true copy of the Loan Agreement may be reviewed at the offices of Mortgagee during its regular business hours or may be obtained from Mortgagee, in either case upon reasonable advance request.

(h) Priority Against Mechanic's Lien. It is further made an express condition and covenant hereof that, until full payment of the Indebtedness secured hereby, no act or thing shall be done or suffered, and neither Mortgagor nor any other person shall have any right or power to do any act or thing, whereby any mechanic's or materialman's lien under the law of the State of Illinois can arise against or attach to the Mortgaged Property or any part thereof, unless such lien shall first be wholly waived or released as against this Mortgage, and that the lien of this Mortgage shall extend to any and all improvements and fixtures now or hereafter on the Mortgaged Property, as prior to any other lien thereon that may be claimed by any person, it being the intention hereof that after the filing of this instrument for record in the public records of the county in which the Mortgaged Property are located, subsequent claims for lien shall be subject and subordinate to this Mortgage, and all contractors, subcontracts, material suppliers, and other parties dealing with the Mortgaged Property or with any parties interested therein, are hereby required to take notice of this provision.

Article 2

DEFINITIONS

2.1. Definitions: The following terms shall have the following meanings (any other capitalized term used herein that is not expressly defined in this Article shall have the meaning defined elsewhere in this Mortgage or in the other Loan Documents):

(a) Affiliated Person: Any (i) guarantor of any part of the Indebtedness, including, without limitation, the Guarantors, and any subsequent or successor guarantor; (ii) if Mortgagor is a trustee, any beneficiary of the trust, including, without limitation, the general partners of any general or limited partnership that is a beneficiary of the trust, and any joint venture partners of any joint venture that is the beneficiary of the trust, and any persons or entities holding the controlling shareholder interests in any corporation that is the beneficiary of the trust; (iii) if Mortgagor is a general or limited partnership, the general partners thereof; and (iv) if Mortgagor is a corporation, the persons or entities holding the controlling shareholder interests therein, including, without limitation, the persons or entities holding the controlling shareholder interests in Sundance (as hereinafter defined).

(b) Awards: All awards and payments heretofore or hereafter made by any municipal, state or federal agency or authority to Mortgagor, including any awards or payments for any taking of the Mortgaged Property (as hereinafter defined) as a result of the exercise of the right of condemnation or eminent domain and any and all proceeds and payments heretofore or hereafter made by any insurance company as a result of any casualty or other event in connection with the Mortgaged Property.

(c) Buildings: The seven (7) buildings to be constructed on the Real Estate (as hereinafter defined), consisting of thirty-five (35) townhouse units, and any and all buildings, structures and improvements, and any and all additions, alterations, betterments or appurtenances thereto, now or at any time hereafter situated, placed or constructed upon the Real Estate or any part thereof.

(d) [INTENTIONALLY DELETED]

(e) Contracts: Any and all contracts, documents or agreements pertaining to the ownership, use, occupancy, development, design, construction, financing, operation, management, alteration, repair, marketing, sale, lease or enjoyment of the Mortgaged Property, including, without limitation any contracts for labor or materials, purchase orders, service contracts, home purchase contracts and all rights, privileges, authority and benefits thereunder (but under no circumstances any liabilities, obligations or responsibilities thereunder).

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CONSTRUCTION MORTGAGE, ASSIGNMENT OF LEASES AND RENTS AND SECURITY AGREEMENT

THIS CONSTRUCTION MORTGAGE, ASSIGNMENT OF LEASES AND RENTS AND SECURITY AGREEMENT (hereinafter referred to as the "Mortgage") is made as of the 21 day of June, 1989 by PDI DEVELOPMENT, INC., an Illinois corporation (hereinafter referred to as "Mortgagor"), whose address is set forth below, in favor of BANK ONE, MILWAUKEE, N.A., a national banking association, and its successors and assigns (hereinafter referred to as "Mortgagee"), whose address is set forth below.

Article I

TERMS OF THE INDEBTEDNESS

1.1 Certain Terms of Indebtedness: The following is a summary of certain terms of the Indebtedness (as hereinafter defined) secured by this Mortgage. True and correct copies of the Land Note and Revolver Note referred to below are attached hereto as Exhibits C and D respectively and are hereby incorporated herein by reference and should be referred to for a complete recital of all terms and conditions thereof:

(a) Land Note: That certain Promissory Note of even date herewith (hereinafter referred to as the "Land Note") made by Mortgagor payable to the order of Mortgagee in the principal amount of Eight Hundred Forty Thousand and no/100 Dollars (\$840,000.00).

(b) Revolver Note: That certain Revolving Credit Note of even date herewith (hereinafter referred to as the "Revolver Note") made by Mortgagor payable to the order of Mortgagee in the principal amount of Two Million Six Hundred Sixty Thousand and no/100 Dollars (\$2,660,000.00) (the Land Note and the Revolver Note are sometimes hereinafter collectively referred to as the "Notes").

(c) Interest Rate and Payments: Interest shall accrue under the Notes at the Interest Rate, as that term is defined in the Notes, and installments of interest and of principal outstanding under the Notes shall be due and payable in the amounts, at the times and otherwise as provided in the Notes.

(d) Maturity Date: All of the unpaid principal balance outstanding under the Notes and all unpaid interest accrued thereon shall become due and payable, if not sooner paid or if not sooner due by acceleration, notice of prepayment, or otherwise, on June 30, 1990 (hereinafter referred to as the "Maturity Date").

(e) Prepayment: The Notes may be prepaid in full, or in part, but only as provided in the Notes. Any payment in full of the Notes shall include, in addition to the unpaid principal balance outstanding, all interest accrued thereon, and any other sums which are secured by the Mortgage and other Loan Documents (as hereinafter defined), including, but not limited to, any expenses incurred by Mortgagee in connection with this Loan or in connection with any prior Event of Default (as hereinafter defined) under the Notes, Mortgage or other Loan Documents.

(f) Definition of the Indebtedness: The term "Indebtedness" shall mean the principal amount of, interest payable on, and all fees, amounts, payments, premiums, liabilities and monetary liabilities and obligations due or required to be paid by Mortgagor under the Notes, this Mortgage or the other Loan Documents, or under any future advance note, or under any and all amendments, modifications, restatements, replacements, consolidations, substitutions, renewals, extensions and increases to the Notes and other Loan Documents, whether heretofore or hereafter existing, and whether direct or indirect, absolute or contingent.

(g) Construction Mortgage: The Notes which are secured by this Mortgage evidence a debt created by one or more disbursements made by Mortgagee to Mortgagor for the purpose of financing costs in connection with the Mortgaged Property (as hereinafter defined) including costs of construction of the improvements to be located on the Mortgaged Property. All disbursements shall be made in accordance with the terms and provisions of the Loan Agreement, as the same from time to time may be amended,

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corporate resolutions, by-laws, articles of incorporation, partnership agreement, limited partnership agreement, joint venture agreement, or trust agreement, or other form of business association; (iii) any and all Leases; (iv) any and all Contracts; (v) any lease, sublease, option, articles of agreement for deed, installment contract or other contract or agreement pursuant to which Mortgagor is granted any possessory, legal, equitable, beneficial or other interest in the Mortgaged Property; and (vi) any and all other easements, covenants, conditions, restrictions, leases or other contracts and agreements (written or oral) of any nature to which Mortgagor or any other Affiliated Person may be bound or to which the Mortgaged Property may be subject.

(p) Loan Agreement: That certain Construction Loan Agreement of even date herewith by and between Mortgagor and Mortgagee, and any and all amendments, modifications, replacements, restatements, substitutions, renewals, extensions and increases thereto.

(q) Loan Documents: The Loan Agreement, this Mortgage, the Notes, the Security Agreement, the Assignment of Leases, Rents and Profits, and the Guaranty all of even date herewith, and any and all other documents now or hereafter evidencing or securing the payment of the Indebtedness or the observance or performance of the Obligations and any and all amendments, modifications, restatements, replacements, substitutions, renewals, extensions and increases thereto whether heretofore or hereafter entered into in connection with the Indebtedness.

(r) Mortgaged Property: The Real Estate, Buildings, Fixtures, Leases, Contracts, Rents, Awards and Personalty together with:

(i) any and all rights, privileges, tenements, hereditaments, rights-of-way, easements, appendages and appurtenances of the Real Estate and/or the Buildings belonging or in anywise appertaining thereto and all right, title and interest of Mortgagor in and to any streets, ways, strips or gores of land adjoining the Real Estate or any part thereof; and

(ii) any and all betterments, additions, appurtenances, substitutions, replacements and after acquired title or interests thereof and all reversions and remainders therein; and

(iii) any and all other security and collateral of any nature whatsoever, now or hereafter given for the repayment of the Indebtedness or the performance and discharge of the Obligations.

(s) Mortgagee: BANK ONE, MILWAUKEE, N.A., a national banking association, and its successors and assigns, and the holders from time to time of the Notes.

(t) Mortgagee's Address: 111 East Wisconsin Avenue, P.O. Box 2033, Milwaukee, Wisconsin 53201, Attention: Brett P. Stone, Assistant Vice President.

(u) Mortgagor: PDI Development, Inc., an Illinois corporation.

(v) Mortgagor's Address: c/o Sundance Homes, Inc., 5360 Levstone Court, Rolling Meadows, Illinois 60008, Attention: Mr. Daniel J. O'Brien, Vice President/Controller.

(w) Obligations: Any and all of the covenants, conditions, warranties, representations and other obligations (other than the obligation to repay the Indebtedness) of Mortgagor or others to Mortgagee under or as set forth in the Notes, this Mortgage or the other Loan Documents and under the Legal Requirements.

(x) Permitted Exceptions: The encumbrances and title exceptions specifically described in Exhibit B attached hereto and made a part hereof.

(y) Personalty: All right, title and interest of Mortgagor in and to all furniture, furnishings, equipment, machinery, goods, inventory and all other tangible personal property and any intangibles of any kind or character as defined in and subject to the provisions of the Uniform Commercial Code now or hereafter located upon, within or about the Real Estate and Buildings, or used or useful in connection therewith, together with all existing or future accessories, replacements and substitutions thereto or therefor and the proceeds therefrom, including, but not limited to: (i) all furniture, furnishings and equipment furnished by Mortgagor to tenants or purchasers of the Real Estate or the

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(f) Default Rate: The lesser of: (i) the interest rate of Five Percent (5%) per annum in excess of the rate of interest otherwise applicable under the Notes at any time, or (ii) the highest rate allowed to be charged or collected under applicable law.

(g) Event of Default: The occurrences defined in Article 8 of this Mortgage.

(h) Fixtures: All fixtures, as defined in and subject to the Uniform Commercial Code, located on the Real Estate including, without limitation, all systems, fittings, structures, equipment, apparatus, fixtures and other improvements and items now or hereafter temporarily or permanently attached to, installed in or used in connection with any of the Buildings or the Real Estate, including but not limited to any and all partitions, hardware, motors, engines, boilers, furnaces, pipes, plumbing, conduit, sprinkler systems, fire extinguishing equipment, elevator equipment, telephone and other communications equipment, security equipment, master antennas and cable television equipment, water tanks, heating, ventilating, air conditioning and refrigeration equipment, laundry facilities, and incinerating, gas and electric machinery and equipment.

(i) Governmental Authority: Any and all courts, boards, agencies, commissions, offices or other authorities of any nature whatsoever for any governmental unit (federal, state, county, district, municipal, city or otherwise) or arbitration authority, whether now or hereafter in existence.

(j) Guarantors: Maurice Sanderman and Sundance, jointly and severally.

(k) Guaranty. That certain Payment Guaranty of even date herewith by Guarantors in favor of Mortgagee pursuant to which Guarantors, jointly and severally, unconditionally guarantee all monetary obligations under the Loan Documents for the entire term of the loan secured hereby and all expenses incurred in enforcing the Guaranty, as more specifically provided therein.

(l) Hazardous Material: (i) any asbestos or insulation or other material composed of or containing asbestos; or (ii) any hazardous, toxic or dangerous waste, substance or material defined as such in (or for purposes of) the Comprehensive Environmental Response, Compensation and Liability Act, any so called "superfund" or "superlien" law, or any other federal, state or local statute, law, ordinance, code, rule, regulation, order or decree regulating, relating to or imposing liability or standards of conduct concerning any hazardous, toxic or dangerous waste, substance or material, now or at any time hereafter in effect.

(m) Impositions: All (i) general and special real estate and personal property taxes and other land taxes and assessments, water and sewer rates and charges, and all other governmental charges and any interest or costs or penalties with respect thereto, and (ii) charges for any easement or agreement maintained for the benefit of the Mortgaged Property which at any time prior to or after the execution of the Loan Documents may be assessed, levied or imposed upon the Mortgaged Property or the rent or income received therefrom or any use or occupancy thereof, and (iii) other taxes, assessments, fees and governmental charges levied, imposed or assessed upon or against Mortgagor in connection with the Mortgaged Property, and (iv) all annual premiums for insurance policies required to be maintained under this Mortgage.

(n) Leases: Any and all leases, subleases, licenses, concessions or grants of other possessory interests (written or oral) now or hereafter in force, covering or affecting the Mortgaged Property, or any part thereof or interest therein, together with all rights, powers, privileges, options and other benefits of Mortgagor thereunder (but under no circumstances any liabilities, obligations or responsibilities thereunder).

(o) Legal Requirements: The terms, covenants, conditions and restrictions now or hereafter existing to which Mortgagor or any other Affiliated Person may be bound or to which the Mortgaged Property is subject under (i) any and all present and future statutes, laws, rulings, opinions, rules, regulations, codes, permits, certificates, approvals, ordinances, judicial decisions or orders of any Governmental Authority in any way applicable to Mortgagor or any other Affiliated Person or the Mortgaged Property, and the ownership, use, occupancy, possession, development, design, construction, financing, operation, maintenance, alteration, repair, marketing, sale, lease or enjoyment thereof, including, without limitation, any related to zoning, building, utility service, sewer service, fire safety, land and water use, subdivision control, condominium property, environmental protection, occupational health and safety or flood hazard; (ii) the Mortgagor's or any other Affiliated Person's presently or subsequently effective

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any of the Leases which may have been heretofore or may be hereafter made or agreed to by Mortgagor or the agents of Mortgagor or which may be made or agreed to by Mortgagee under the powers herein granted, it being the intention hereby to establish an absolute and present transfer and assignment of all such Leases, Rents and all avails thereunder, to Mortgagee; provided, however, the acceptance by Mortgagee of the foregoing assignment, with all of the rights, powers, privileges and authority so created, shall not, prior to entry upon and taking possession of the Mortgaged Property by Mortgagee, be deemed or construed to constitute Mortgagee a "Mortgagee in Possession," nor thereafter or at any time or in any event obligate Mortgagee to appear in or defend any action or proceeding related to the Leases or to the Mortgaged Property, to take any actions thereunder, to expend any money, incur any expenses, or perform or discharge any obligation, duty or liability under the Leases, or to assume any obligation or responsibility for any security deposits or other deposits delivered to Mortgagor by any lessee thereunder. Reference is hereby made to that certain Assignment of Leases, Rents and Profits, of even date herewith, executed by Mortgagor to Mortgagee, which sets forth in more detail the terms and conditions of said assignment, including, without limitation, the rights, remedies, powers and authority vested in Mortgagee by virtue of said assignment, which terms, conditions, rights, remedies, powers and authority are herein incorporated by this reference. Mortgagor shall not have the right to terminate or enter into new leases with respect to the Mortgaged Property without giving Mortgagee prior written notice thereof and obtaining Mortgagee's prior written consent in connection therewith, except under certain circumstances expressly provided for in said Assignment of Leases, Rents and Profits.

Article 5

SECURITY AGREEMENT

5.1 Security Interest: This Mortgage shall be construed as a mortgage on real property and it shall also constitute and serve as a "Security Agreement" on personal property within the meaning of, and shall constitute, until the grant of this Mortgage shall terminate as provided in paragraph 3.2 hereinabove, a security interest under, the Uniform Commercial Code with respect to the Personalty, Fixtures, Leases and Rents. To this end, Mortgagor does Grant, Bargain, Convey, Assign, Transfer and Set Over unto Mortgagee a security interest in and to any and all of Mortgagor's right, title and interest in, to and under the Personalty, Fixtures, Leases and Rents (hereinafter referred to as the "Collateral") to secure the full and timely payment of the Indebtedness and the full and timely performance and discharge of the Obligations. Reference is hereby made to that certain Security Agreement of even date herewith between Mortgagor and Mortgagee, which sets forth in more detail the terms and conditions of said Security Agreement and the rights, remedies, powers and authority vested in Mortgagee by virtue of said Security Agreement, which terms, conditions, rights, remedies, powers and authority are herein incorporated by reference.

5.2 Financing Statement: This Mortgage is intended to be a financing statement within the purview of the Uniform Commercial Code with respect to the Personalty and Fixtures. The addresses of Mortgagor (Debtor) and Mortgagee (Secured Party) are as set forth herein. This Mortgage is to be filed for record in the real estate records of the county where the Real Estate is located. Mortgagor is the record owner of the Real Estate. Notwithstanding the foregoing, Mortgagor hereby agrees with Mortgagee to execute and deliver to Mortgagee, in form, scope and substance satisfactory to Mortgagee, any renewals or extensions of said Security Agreement or Financing Statements and such additional Security Agreements or Financing Statements and such further assurances as Mortgagee may, from time to time, consider necessary to create, perfect and preserve Mortgagee's security interest herein granted and Mortgagee may cause such statements and assurances to be recorded and filed at such times and places as may be required or permitted by law to so create, perfect and preserve such security interest.

Article 6

REPRESENTATIONS AND WARRANTIES

Mortgagor hereby represents and warrants to Mortgagee as of the date hereof and as of all dates hereafter that:

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Buildings; (ii) all building materials and equipment intended to be incorporated in the improvements now or hereafter to be constructed on the Real Estate, whether or not yet incorporated in such improvements; (iii) all machinery, apparatus, systems, equipment or articles used in supplying heating, gas, electricity, ventilation, air-conditioning, water, light, power, refrigeration, fire protection, elevator service, telephone and other communication service, master antennas and cable television service, waste removal and all fire sprinklers, smoke detectors, alarm systems, security systems, electronic monitoring equipment and devices; (iv) all window or structural cleaning and maintenance equipment; (v) all indoor and outdoor furniture, including tables, chairs, planters, desks, sofas, shelves, lockers, cabinets, wall safes and other furnishings; (vi) all rugs, carpets and other floor coverings, draperies, drapery rods and brackets, awnings, window shades, venetian blinds and curtains; (vii) all lamps, chandeliers and other lighting fixtures; (viii) all recreational equipment and materials; (ix) all office furniture, equipment and supplies; (x) all kitchen equipment and appliances, including refrigerators, ovens, dishwashers, range hoods and exhaust systems and disposal units; (xi) all laundry equipment, including washers and dryers; (xii) all tractors, mowers, sweepers, snow removal equipment and other equipment used in maintenance of interior and exterior portions of the Real Estate; and (xiii) all other maintenance supplies and inventories; provided the enumeration of any specific articles of personalty set forth above shall in no way exclude or be held to exclude any items or property not specifically enumerated, and any of the foregoing items that do not constitute personal property but constitute fixtures under applicable law shall be included in the definition of the term "Fixtures" as used herein.

(z) Real Estate: The real estate, legal title to which is owned in fee simple by Mortgagor and legally described on Exhibit A attached hereto and made a part hereof.

(aa) Rents: All of the rents, revenues, income, profits, deposits and other benefits payable under the Leases and/or otherwise arising from or out of the Mortgaged Property or out of the ownership, use, enjoyment or disposition of all or any portion of the Mortgaged Property or part thereof or interest therein.

(bb) Sundance: Sundance Homes, Inc., an Illinois corporation.

Article 3

GRANT

3.1 Grant. To secure the full and timely payment of the indebtedness and the full and timely performance and discharge of the Obligations, Mortgagor by these presents hereby Grants, Bargains, Sells, Assigns, Mortgages and Conveys unto Mortgagee the Mortgaged Property, subject to, but only to, the Permitted Exceptions, to have and to hold the Mortgaged Property unto Mortgagee, its successors and assigns forever and Mortgagor by executing and delivering this Mortgage, does hereby warrant that Mortgagor is well and lawfully seized of good, absolute and indefeasible fee simple absolute title to the Mortgaged Property, free and clear of all mortgages, liens, charges, security interests and encumbrances whatsoever, except only the Permitted Exceptions, and does hereby bind itself, its successors and assigns to warrant and forever defend fee simple absolute title to the Mortgaged Property unto the Mortgagee, and the quiet and peaceful enjoyment and possession thereof, against every person whomsoever claiming the same or any part thereof or interest therein.

3.2 Condition of Grant. The condition of these presents is such that if Mortgagor shall pay or cause to be paid the indebtedness as and when the same shall become due and payable and shall observe, perform and discharge the Obligations in accordance with this Mortgage and the other Loan Documents, then this Mortgage and the other Loan Documents and the estates and rights granted by them shall be released and terminated by Mortgagee.

Article 4

ASSIGNMENT OF LEASES

4.1 Assignment of Rents, Leases and Profits: To further secure the full and timely payment of indebtedness and the full and timely performance and discharge of the Obligations, Mortgagor hereby sells, assigns and transfers unto Mortgagee all of the Leases and the Rents now due and which may hereafter become due under or by virtue of

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6.11 Other Agreements. (a) Mortgagor has heretofore given or caused to be given or shall hereafter give or cause to be given to Mortgagee true and correct copies (accompanied in each case by all related agreements and documents) of the partnership or corporate agreements or articles or by-laws pursuant to which Mortgagor, Sundance and any other Affiliated Person was formed and any amendments thereto; (b) such instruments (i) have been duly executed and delivered by the respective parties thereto, (ii) have not been amended, modified, or assigned (except as specified therein), (iii) are in full force and effect and (iv) are legal, valid and binding obligations of the respective parties thereto in accordance with their respective terms; (c) Neither Mortgagor, nor Guarantors, nor any other Affiliated Person is a party to any agreement or instrument adversely affecting its respective present or proposed business, properties or assets, operation or condition, financial or otherwise; (d) Neither Mortgagor, nor Guarantors, nor any other Affiliated Person is in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions set forth in any agreement or instrument to which it respectively is a party or to which the Mortgaged Property is subject; and (e) Neither Guarantors, nor any other Affiliated Person is, or without the prior written consent of Mortgagee shall be, a party to any contract or agreement, whether written or oral, with Mortgagor or any other Affiliated Person, involving or pertaining to the management, operation, maintenance of, or in any way related to, the Mortgaged Property, except contracts pertaining to the construction of Homes, all of which have been previously approved by Mortgagee.

6.12 Taxes. Mortgagor and Guarantors have filed all federal, state, county and municipal income tax returns required to have been filed by it and has paid all taxes which have become due pursuant to such returns or pursuant to any assessments received by it, and Mortgagor and Guarantors do not know of any basis for additional assessment in respect of such taxes.

6.13 Litigation. There is not now pending against or affecting Mortgagor, Guarantors or any other Affiliated Person or the Mortgaged Property nor, to the knowledge of Mortgagor, is there threatened, any action, suit or proceeding at law or in equity or by or before any administrative agency which if adversely determined would impair or affect the financial condition or operation of Mortgagor, Guarantors or any other Affiliated Person or the Mortgaged Property.

6.14 Survival of Representations and Warranties. Each and all of the representations and warranties contained herein shall survive the execution and delivery of the Loan Documents and the consummation of the loan called for therein, and shall continue in full force and effect until the Obligations and the Indebtedness shall have been satisfied and paid in full.

Article 7

COVENANTS

Until the entire indebtedness shall have been paid in full, Mortgagor hereby unconditionally covenants and agrees as follows:

7.1 Payment and Performance. Mortgagor shall pay or cause to be paid the Indebtedness, as and when all or any payment thereunder is due under the Notes, this Mortgage or the Loan Documents, and shall perform or cause to be performed all of the Obligations in full on or before the dates the Obligations or any part thereof are required to be performed and shall commit or suffer no act or event which (upon notice or the passage of time, or both) would constitute a default or Event of Default under the Loan Documents or the Legal Requirements.

7.2 Compliance with Laws. Mortgagor will promptly and faithfully comply with all present and future laws, ordinances, rules, regulations and requirements of every Governmental Authority and of every Board of Fire Underwriters having jurisdiction, or similar body exercising similar functions, which may be applicable to it or to the Mortgaged Property, or any part thereof, or to the use, occupancy, possession, operation, maintenance, alteration, repair, reconstruction or disposition of the Mortgaged Property, or any part thereof or interest therein.

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6.1 Organization, Authority, etc. Mortgagor, Guarantors and any other Affiliated Person: (a) are duly organized, validly existing and in good standing under the laws of the state of their respective organization and are qualified to do business and are in good standing in every jurisdiction in which the nature of their businesses or properties makes such qualification necessary, including, but not limited to, under the laws of the State of Illinois; (b) have the right and authority to own their properties and to carry on their businesses as now being conducted; and (c) are in compliance with all laws, regulations, ordinances and orders of public authorities applicable to them.

6.2 Validity of Loan Documents. (a) The execution, delivery and performance by Mortgagor, Guarantors and any other Affiliated Person, as the case may be, of the Loan Documents, and the borrowing evidenced by the Notes: (i) are within the powers of Mortgagor, Guarantors and any other Affiliated Person; (ii) have been duly authorized by all requisite partnership or corporate action; (iii) have received all necessary governmental approvals; (iv) will not violate any of the Legal Requirements; and (b) the Notes and the Loan Documents, when executed and delivered by Mortgagor and any other Affiliated Person, as the case may be, will constitute the legal, valid and binding obligations of Mortgagor, Guarantors and any other Affiliated Person named therein in accordance with their respective terms.

6.3 Permits and Approvals. All permits, certificates, approvals and licenses required for or in connection with the ownership, use, occupancy or enjoyment of the Mortgaged Property or in connection with the organization, existence and conduct of the businesses of Mortgagor, Guarantors or any other Affiliated Person, have been duly and validly issued or will be duly and validly issued prior to the commencement of construction, and are and shall at all times hereafter be in full force and effect, except that certificates of occupancy for Homes not yet completed have not been obtained.

6.4 Zoning. The Mortgaged Property is duly and validly zoned as to permit the current use, occupancy and operation of the Mortgaged Property and such zoning is final and unconditional and in full force and effect, and no attacks are pending or threatened with respect thereto. The Mortgaged Property complies and will comply with the requirements, standards and limitations set forth in the applicable zoning ordinance and other applicable ordinances in all particulars, including, but not limited to, bulk, density, height, character, dimension, location and parking restrictions or provisions.

6.5 Utilities. All utility services necessary and sufficient for the full use, occupancy and operation of the Mortgaged Property are available to and will service the Mortgaged Property without the necessity of any off-site improvements or further connection costs.

6.6 Access. All streets, highways and waterways necessary for access to and full use, occupancy and operation of the Mortgaged Property have been completed and are or will be open and available to the Mortgaged Property without further condition or cost to Mortgagor.

6.7 Condition of Mortgaged Property. The Buildings, when completed, shall be in high quality physical order, repair and condition, shall be structurally sound and wind and water tight, and all plumbing, electrical, heating, ventilation, air conditioning, elevator and other mechanical systems and equipment shall be in good operating order, repair and condition.

6.8 Financial and Other Information. Neither this Mortgage nor any other document or statement furnished to Mortgagee by Mortgagor, Guarantors or any other Affiliated Person or any other person, contains or will contain any untrue statement of fact or omits or will omit to state a fact material to the submitted document or to the Mortgaged Property.

6.9 Other Information. All other information, reports, papers and data given to Mortgagee with respect to Mortgagor, Guarantors or any other Affiliated Person or others obligated under the terms of the Loan Documents are accurate, correct and complete in all material respects.

6.10 Brokerage Commissions and Other Fees. No brokerage fees or commissions or other fees are payable in connection with the loan to be disbursed by Mortgagee hereunder.

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will be payable directly to Mortgagee alone; shall be maintained throughout the term of this Mortgage without cost to Mortgagee; shall be deposited with Mortgagee; and shall contain such provisions as Mortgagee deems necessary or desirable to protect its interest. Mortgagee shall have the right and option, but shall not be obligated, to make premium payments to prevent any cancellation, endorsement, alteration or reissuance and such payments shall be accepted by insurer to prevent the same. In the event of foreclosure of this Mortgage or other transfer of title to the Mortgaged Property in extinguishment in whole or in part of the Indebtedness, all right, title and interest of Mortgagor in and to such policies then in force concerning the Mortgaged Property and all proceeds payable thereunder shall thereupon vest in the purchaser at such foreclosure or Mortgagee in the event of such transfer. If a blanket policy is issued, a certified copy of said policy shall be furnished, together with a certificate indicating that Mortgagee is the insured under said policy in the proper designated amount.

7.7 Adjustment of Losses with Insurer and Application of Proceeds of Insurance. Mortgagor hereby assigns to Mortgagee all proceeds from any insurance policies pertaining to the Mortgaged Property, and Mortgagee is hereby authorized and empowered, at its option, to make or file proofs of loss or damage and to adjust or compromise any loss, and to collect and receive the proceeds from any such policies. However, Mortgagee shall not be held responsible for any failure to collect any insurance proceeds regardless of the cause of failure. In the event the Mortgaged Property or any part thereof covered by such insurance is destroyed or damaged by fire, explosion, wind-storm, hail or by any other casualty against which insurance shall have been required hereunder, then the Mortgagee shall have the right, at its option, after deducting from said insurance proceeds all of its expenses incurred in the collection and administration of such sums, to apply the net insurance proceeds in payment (without premium or penalty) of the Indebtedness (whether then matured or to mature in the future), either in whole or in part (in such order as Mortgagee shall deem proper), or to require the Mortgaged Property so destroyed or damaged to be repaired or replaced by the use of such proceeds.

7.8 Application of Insurance Proceeds to Repair. In the event that Mortgagee elects to apply the proceeds of such insurance to repair or replacement of the Mortgaged Property, and provided no Event of Default hereunder or under any of the other Loan Documents is then existing, or no event has occurred which, with the giving of notice or the passage of time, or both, may ripen into an Event of Default hereunder or under the other Loan Documents, any such proceeds held by the Mortgagee for repairs or replacements shall be held by Mortgagee or, if Mortgagee elects, in its sole discretion, with a title insurance company or escrow agent designated by Mortgagee, upon such terms and conditions as Mortgagee may specify, without payment or allowance of interest thereon, and shall be paid out from time to time to Mortgagor (or, at the option of Mortgagee, jointly to Mortgagor and the persons furnishing labor and/or material incident to such restoration, repair or replacement or directly to such persons as the work progresses), upon such terms and conditions as Mortgagee may specify. As a condition precedent to the initial disbursement Mortgagor shall be required to simultaneously deposit with Mortgagee the amount, if any, which, when added to the net available insurance proceeds, is necessary and sufficient in Mortgagee's judgment to complete such repairs, rebuilding or other purposes as required by Mortgagee. If, upon completion of the work, any portion of the insurance proceeds has not been disbursed to Mortgagor (or one or more of the other aforesaid persons) incident thereto, Mortgagee may, at Mortgagee's option, disburse such balance to Mortgagor or apply such balance toward the payment of the Indebtedness without prepayment fee or penalty. In the event of an Event of Default hereunder, Mortgagee shall have the right, at its option, to apply the whole or any part of such insurance proceeds toward any of the Indebtedness, in such order and manner as Mortgagee may elect.

7.9 Condemnation Proceeds. All Awards shall be paid to the Mortgagee and, after deducting from said Awards all of its expenses in the collection and administration of said sums, Mortgagee shall have the right, at its option, to apply the net proceeds in payment (without premium or penalty) of the Indebtedness (whether then matured or to mature in the future), either in whole or in part (in such order as Mortgagee shall deem proper), or to require the Mortgaged Properties so affected by such condemnation to be repaired or restored by the use of such proceeds in the same manner as provided in paragraphs 7.7 and 7.8. If Mortgagee does elect to apply such proceeds in payment or reduction of the Indebtedness secured hereby, whether due or not, and if the same are insufficient to pay such amount in full, Mortgagee shall have the right and option to declare the entire balance of the Indebtedness remaining unpaid to be immediately due and payable, without liability of Mortgagor for any prepayment fee or penalty. Mortgagee shall be

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7.3 Payment of Impositions. Mortgagor will duly pay and discharge, or cause to be paid and discharged, the Impositions, such Impositions or installments thereof to be paid not later than the day any fine, penalty, interest or cost may be added thereto or imposed by law for the non-payment thereof.

7.4 Repair. Mortgagor will keep the Mortgaged Property in high quality and condition and make all repairs and replacements thereof and additions and improvements thereto as are necessary or appropriate under sound management practices or as Mortgagee shall require, and will prevent any act or thing which might impair or diminish the value or usefulness of the Mortgaged Property. Mortgagor covenants and agrees to establish and maintain such cash reserves and segregated accounts for deferred maintenance or improvements as are necessary or appropriate under sound management practices or in Mortgagee's judgment. Notwithstanding anything herein contained to the contrary, Mortgagor will obtain the written consent of Mortgagee prior to making any additions or alterations to the Mortgaged Property.

7.5 Management, Leasing and Operation. Mortgagor shall provide competent and responsible management for the Mortgaged Property, with individuals devoting such time and attention as is necessary and appropriate to develop and maintain the Mortgaged Property as high quality buildings. Mortgagor shall employ management and leasing agents approved by Mortgagee and the terms and conditions of any management, leasing or other commission agreement or any change or replacement of any such agent or agreement shall, at Mortgagee's option, be subject to approval by Mortgagee. Mortgagor covenants and agrees to hold all earnest money deposits collected under any and all of the sale Contracts in a segregated account and further covenants and agrees at Mortgagee's direction to establish and maintain such other cash reserves or segregated accounts as Mortgagee may deem necessary. Mortgagor further covenants and agrees that all Rents or sale proceeds generated by or derived from the Mortgaged Property shall be utilized solely for expenses directly attributable to the Mortgaged Property, including Mortgagor's liabilities and obligations with respect to the *Indebtedness and the Impositions* so that all of the foregoing are paid in full on or before the dates when due and so that no accounts payable with respect to the Mortgaged Property shall be allowed to remain unpaid for more than thirty (30) days, and none of the sale proceeds generated by or derived from the Mortgaged Property shall be diverted by Mortgagor and utilized for any other purposes unless the foregoing covenants and conditions have been fully satisfied. Upon full satisfaction of the foregoing covenants and conditions, Mortgagor may utilize any surplus Rents or sale proceeds.

7.6 Insurance. Mortgagor shall procure for, deliver to and maintain for the benefit of Mortgagee during the term of this Mortgage, all insurance required by Mortgagee including, without limitation, (a) during any period of construction on the Mortgaged Property, a so-called Builder's Risk-All-Risk fire and casualty insurance (completed value form) and, after completion of the Project (as defined in the Loan Agreement) a policy or policies insuring the Mortgaged Property against loss or damage by fire, explosion, windstorm, hail, tornado, all other perils insured against under "extended coverage" or "all risk" policies and such other hazards and such other or additional coverage as from time to time may be required by Mortgagee for One Hundred Percent (100%) of the full insurable value of the Mortgaged Property (but in no event less than the principal amount of the Notes), including a replacement cost coverage endorsement without deduction for depreciation; (b) comprehensive general public liability insurance against claims for bodily injury, death or property damage occurring on, in or about the Mortgaged Property and affording protection in amounts satisfactory to Mortgagee, with such risks insured and with such waiver of subrogation clauses and other terms as may be required by Mortgagee; (c) Worker's Compensation insurance in required statutory amounts and (d) Rent Insurance or Business Interruption Insurance in an amount sufficient to cover loss of rents from the Mortgaged Property for a period of at least twelve (12) months. Mortgagor shall deliver to the Mortgagee the policies evidencing such insurance and any additional insurance which shall be taken out upon the Mortgaged Property and receipts evidencing the payment of all premiums, and that renewals of all such policies of insurance shall be delivered to Mortgagee at least thirty (30) days before any such insurance shall expire together with receipts evidencing the payment for such renewals. Notwithstanding anything herein to the contrary, all policies required of Mortgagor by Mortgagee shall be written in amounts and with companies and in form and content satisfactory to Mortgagee; shall be payable to the Mortgagee as its interest may appear pursuant to a standard non-contributory mortgagee clause attached thereto which shall be in all respects satisfactory to Mortgagee; shall provide for at least thirty (30) days' written notice to the Mortgagee prior to cancellation of such policies or any material change in the risk or coverages insured; shall provide that loss payments

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to any of the Indebtedness, in such order and manner as Mortgagee may elect. All deposits are hereby pledged as additional security for the Indebtedness, and shall be held by Mortgagee irrevocably to be applied for the purposes for which made as herein provided and shall not be subject to the direction or control of Mortgagor. If Mortgagee elects, Mortgagor shall provide, at its expense, a tax service contract for the term of this Mortgage, issued by a tax reporting agency approved by Mortgagee, for the purpose of verifying that taxes are being paid in accordance with the terms of this Mortgage. If Mortgagee does not so elect, Mortgagor shall reimburse Mortgagee for the cost of making annual tax searches throughout the term of this Mortgage.

7.16 Lien Status. Mortgagor shall protect the lien and security interest of this Mortgage and the Loan Documents and shall not place, or permit to be placed, or otherwise mortgage, pledge, hypothecate or encumber the Mortgaged Property with, any other lien, attachment, levy, or security interest of any nature whatsoever (whether mechanics, judgment, tax, statutory, contractual or other) regardless of whether same is allegedly or expressly subordinate and inferior to the liens and security interest created by this Mortgage and the Loan Documents, except for the Permitted Exceptions and if any such lien or security interest is asserted against the Mortgaged Property, Mortgagor shall promptly, and at its own cost and expense, pay the underlying claim in full, or appear in and defend any action or claim, or take such other action so as to cause same to be released within thirty (30) days of when asserted, made or filed.

7.17 Restrictions on Transfer and Financing. For the purpose of protecting Mortgagee's security, keeping the Mortgaged Property free from subordinate financing liens, and/or allowing Mortgagee to collect assumption fees, Mortgagor agrees that any sale, conveyance, further encumbrance or other transfer of title to the Mortgaged Property, or any interest therein (whether voluntarily or by operation of law), without the Mortgagee's prior written consent, which consent shall be in Mortgagee's sole discretion, shall be an Event of Default hereunder.

For the purpose of this paragraph 7.17 and without limiting the generality of the foregoing, the occurrence at any time of any of the following events, without Mortgagee's prior written consent, shall be deemed to be an unpermitted transfer of title to the Mortgaged Property and therefore an Event of Default hereunder:

- (i) any sale, conveyance, assignment, or other transfer of, or the mortgage, pledge or grant of a security interest in, all or any part of the legal and/or equitable title to the Mortgaged Property (except for the sale of Homes as provided in the Loan Agreement); or
- (ii) any sale, conveyance, assignment, or other transfer of, or the mortgage, pledge or the grant of a security interest in, any shares of stock of a corporate Mortgagor, a corporation which is the general partner of a partnership Mortgagor, a corporation which is the owner of substantially all of the stock of any corporation described in this subparagraph, or any other corporation having an interest, whether direct or indirect, in Mortgagor; or
- (iii) any sale, conveyance, assignment or other transfer of, or the mortgage, pledge or grant of a security interest in, any general partnership interest of a partnership Mortgagor, a partnership which is a general partner in a partnership Mortgagor, a partnership which is the owner of substantially all of the capital stock of any corporation described in paragraph 7.17(ii) above, or any other partnership having an interest, whether direct or indirect, in Mortgagor; or
- (iv) if Mortgagor, either Guarantor or any other Affiliated Person shall modify, amend, terminate, dissolve or in any way alter its corporate or partnership existence or fall from good standing or convey, transfer, distribute, lease or otherwise dispose of all or substantially all of its property, assets or business.

Any such sale, transfer, assignment, conveyance, lease, lien, pledge, mortgage, hypothecation or any other encumbrance or alienation or contract or agreement to do any of the foregoing shall be null and void and of no force or effect, but the attempted making thereof shall, at the option of Mortgagee, constitute an Event of Default here-

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entitled to all Awards, and is hereby authorized, at its option, to commence, appear in and prosecute, in its own name or in Mortgagor's name any such proceeding relating to any condemnation, and to settle or compromise any claim in connection therewith. Mortgagor hereby assigns and transfers to Mortgagee all Awards and the claims, rights and proceedings in connection therewith. Mortgagor agrees to execute such further assignments of all Awards and claims, rights and proceedings in connection therewith as Mortgagee may request. Mortgagee shall not be held responsible for any failure to collect any amount in connection with any such proceeding regardless of the cause of failure.

7.10 Performance of Agreements. Mortgagor and any other Affiliated Person will duly and punctually perform all covenants and agreements under any agreements to which it is respectively a party with respect to the Mortgaged Property or any part thereof.

7.11 Inspection. Mortgagor will permit Mortgagee or its representatives, at all reasonable times, to inspect the Mortgaged Property.

7.12 Hold Harmless. Mortgagor hereby agrees to protect, defend, indemnify and hold Mortgagee harmless of and from any liability, loss, cost, demand, action, proceeding or claim affecting the Mortgaged Property, or the value of the Notes or the Loan Documents, and Mortgagor shall pay any and all costs and expenses incurred by Mortgagee as a result thereof, including any attorney's fees, upon demand.

7.13 Books and Records. Mortgagor will maintain full and complete books and records reflecting the results of its operations (in conjunction with its other operations as well as its operations of the Mortgaged Property) in accordance with generally accepted accounting principles, and all such books and records shall, upon five (5) days' prior written notice, be subject to inspection by the Mortgagee and its representatives.

7.14 Financial Statements. Mortgagor will cause to be delivered to the Mortgagee: (a) within sixty (60) days after June 30 and December 31 of each calendar year, semi-annual operating statements certified by an officer of Mortgagor, in form and substance satisfactory to Mortgagee, showing all income and expenses of Mortgagor with respect to the Mortgaged Property; (b) within sixty (60) days after June 30 and December 31 of each calendar year, completed executed copies of reports of examinations of Mortgagor's financial affairs, in form and substance satisfactory to Mortgagee; (c) within sixty (60) days after June 30 and December 31 of each calendar year completed, executed copies of reports of examinations of Sandance's financial affairs in form and substance satisfactory to Mortgagee; and (d) within thirty (30) days of each anniversary date hereof, completed executed copies of reports of examinations of Maurice Sanderman's financial affairs, in form and substance satisfactory to Mortgagee. With respect to the operating statements, each statement shall include an annual sales schedule and such other data and information as Mortgagee may request. In addition to the foregoing, at any time and from time to time Mortgagor shall deliver or cause to be delivered to Mortgagee such other financial or business data or information as Mortgagee shall request with respect to the Mortgaged Property, Mortgagor, Guarantors or any other Affiliated Person. Mortgagee shall have the right to inspect and make copies of Mortgagor's, Guarantors' or any Affiliated Person's books, records and income tax returns for the purpose of verifying any reports or other information delivered in accordance with this paragraph 7.14.

7.15 Deposits For Impositions. Mortgagor shall, to the extent not provided for in the Project Budget (as said term is defined in the Loan Agreement), pay to Mortgagee, on and subsequent to the date hereof and on each of the due dates of installments of principal and/or interest as set forth in the Notes, an amount equal to one-twelfth (1/12) of Mortgagee's estimate of the next annual Impositions. Mortgagor shall also pay to Mortgagee such additional amounts, to be determined by Mortgagee from time to time, as will provide a sufficient fund at least thirty (30) days prior to the due dates of the next installment of such Impositions for payment of such Impositions. Amounts held hereunder by Mortgagee shall not bear interest and may be commingled with Mortgagee's other funds. Provided no event has occurred which with the passage of time or the giving of notice or both would constitute an Event of Default hereunder, amounts held by Mortgagee pursuant to this Paragraph shall be made available to Mortgagee in sufficient time to allow Mortgagor to satisfy Mortgagor's obligations under the Loan Documents to pay Impositions. Upon an Event of Default under this Mortgage, or an event which with the passage of time or the giving of notice would constitute an Event of Default hereunder, Mortgagee may, at its option, without being required so to do, apply any deposits on hand

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to the Mortgaged Property with respect to occupational health and safety, Hazardous Materials and environmental matters. Mortgagor shall promptly notify Mortgagee of its receipt of any notice of a violation of any such law, standard or regulation. Mortgagor's failure to pay all loss, cost, damage, claim and expense incurred by Mortgagee on account of Mortgagor's failure to perform the obligations of this paragraph 7.24 shall constitute a default hereunder and under the Loan Documents. Mortgagor hereby agrees to indemnify and hold Mortgagee harmless from all loss, cost, damage, claim and expense incurred by Mortgagee on account of Mortgagor's failure to perform the obligations of this subparagraph and to provide any information reasonably requested by Mortgagee regarding such environmental matters as they affect any or all of the Mortgaged Property.

7.25 Correction of Defects. Mortgagor will, on request of Mortgagee, promptly correct any defect, error or omission which may be discovered in the contents of this Mortgage or in the execution or acknowledgment hereof or in any other instrument executed in connection herewith, and will execute and deliver any and all additional instruments as may be requested by Mortgagee to correct such defect, error or omission or to identify any additional properties which are or become subject to this Mortgage or such other instrument.

7.26 Other Debts and Liabilities. Mortgagor will cause all debts and liabilities of any character, including, without limitation, all debts and liabilities for labor, material and equipment, incurred in the construction, operation and development of the Mortgaged Property to be promptly paid, or appear in and defend any action or claim, or take such other action so as to cause the same to be promptly discharged, as provided in Paragraph 7.16 hereof.

Article 8

EVENTS OF DEFAULT

The term "Event of Default" shall mean the occurrence or happening, at any time and from time to time, of any one or more of the following, without notice to Mortgagor and without any grace period unless otherwise expressly set forth herein.

8.1 Payment of Indebtedness. If Mortgagor shall default in the due and punctual payment of all or any portion of any installment of the Indebtedness and shall continue in its failure to pay after ten (10) days of the receipt of Mortgagee's written notice that the same is due and payable.

8.2 Performance of Obligation. If Mortgagor shall default in the due observance or performance of any of the Obligations as and when required; provided, however, that unless and until the continued operation or safety of the Mortgaged Property, or the priority, validity or enforceability of this Mortgage or any other security for the Loan or the liens thereof or the value of the Mortgaged Property is immediately threatened or jeopardized, Mortgagor shall have a period not to exceed thirty (30) days after written notice of any such failure to cure the same.

8.3 Bankruptcy, Receivership, Insolvency, etc. If voluntary or involuntary proceedings under the Federal Bankruptcy Code shall be commenced by or against Mortgagor or any Guarantor, or bankruptcy, receivership, insolvency, reorganization, dissolution, liquidation or other similar proceedings shall be instituted by or against Mortgagor or any Guarantor with respect to all or any part of any or all of Mortgagor's or Guarantor's property under the Federal Bankruptcy Code or other law of the United States or of any state or other competent jurisdiction, and, with respect to any involuntary proceedings, such proceedings shall remain undismissed or undischarged for a period of sixty (60) days.

8.4 Laws Affecting Obligations and Indebtedness. If subsequent to the date of this Mortgage, any law is passed (a) which renders payment of the Indebtedness and/or performance of the Obligations by Mortgagor or any other Affiliated Person unlawful or (b) which prohibits Mortgagee from exercising any of its rights and remedies under the Loan Documents.

8.5 Foreclosure of Other Liens. If the holder of a junior or senior mortgage or other lien on the Mortgaged Property (without hereby implying Mortgagee's consent to any such junior or senior mortgage or other lien) declares a default or institutes foreclosure or other proceedings for the enforcement of its remedies thereunder.

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under. Any consent by the Mortgagee, or any waiver of an Event of Default, under this paragraph 7.17 shall not constitute a consent to, or waiver of any right, remedy, or power of the Mortgagee upon a subsequent Event of Default under this paragraph 7.17.

7.18 Existence. Mortgagor, Guarantors and any other Affiliated Person will preserve and keep in full force and effect its partnership or corporate existence, rights, franchises and trade names.

7.19 Use Restrictions. Mortgagor shall not use, maintain, operate or occupy, or allow the use, maintenance, operation or occupancy of, the Mortgaged Property in any manner which would: (a) be dangerous unless safeguarded as required by law; (b) constitute a public or private nuisance; (c) make void, voidable or cancellable, or increase the premium of, any insurance then in force with respect thereto; or (d) alter the current use and occupancy of the Mortgaged Property. Mortgagor will not operate the Mortgaged Property, or permit the same to be operated, as a cooperative or condominium building or buildings in which the tenants or occupants participate in the ownership, control or management of the Mortgaged Property, or any part thereof, as tenant stockholders or otherwise.

7.20 Alterations. Except as specifically provided in the Loan Agreement, Mortgagor shall not, without the prior written consent of Mortgagee, make or permit to be made any additions or material alterations to the Mortgaged Property. Notwithstanding the foregoing, in instances where repairs, replacements, renewals, additions, betterments, improvements or alterations are required in and to the Mortgaged Property on an emergency basis to prevent loss, damage, waste or destruction thereof, Mortgagor shall proceed to construct same, or cause same to be constructed; provided, however, that in instances where such emergency measures are to be taken, Mortgagor shall promptly notify Mortgagee of the commencement of same and the measures to be taken which shall be subject to Mortgagee's approval.

7.21 Replacement of Fixtures and Personality. Mortgagor shall not, without the prior written consent of Mortgagee, permit any of the Fixtures or Personality to be removed at any time from the Real Estate or Buildings, except to the extent permitted under the Security Agreement referred to in Paragraph 5.1 hereof.

7.22 Restoration Following Any Casualty. If any act or occurrence of any kind or nature, ordinary or extraordinary, foreseen or unforeseen (including any casualty for which insurance was not obtained or obtainable or condemnation for which the award was obtained or not obtained), shall result in damage to or loss or destruction of the Mortgaged Property, Mortgagor shall give notice thereof to Mortgagee and shall promptly, at Mortgagor's sole cost and expense and regardless of whether any insurance proceeds or condemnation award, or any portion thereof, shall be sufficient or shall be made available by Mortgagee for such purpose, but with proceeds of the Loan to the extent available, commence and continue diligently to complete the restoration, repair, replacement and rebuilding of the Mortgaged Property as nearly as possible to its value, condition and character immediately prior to such damage, loss or destruction.

7.23 Tax on the Indebtedness. In the event of the enactment, after the date of this Mortgage, of any law of the State of Illinois deducting from the value of the Mortgaged Property for the purpose of taxation the amount of any lien thereon, or imposing upon the Mortgagee the payment of the whole or any part of the taxes or assessments or charges or liens herein required to be paid by Mortgagor, or changing in any way the laws relating to the taxation of mortgages or debts secured by mortgages or Mortgagee's interest in the Mortgaged Property, or the manner of collection of taxes, so as to affect this Mortgage or the debt secured hereby or Mortgagee, then, and in any such event, Mortgagor, upon demand by Mortgagee, shall pay such taxes or assessments or reimburse Mortgagee therefor; provided, however, that if, in the opinion of counsel for Mortgagee, (a) it may be unlawful to require Mortgagor to make such payment or (b) the making of such payment might result in the imposition of interest beyond the maximum amount permitted by law, then, and in such event, Mortgagee may elect, by notice in writing given to Mortgagor, to declare the existence of an Event of Default hereunder, and all of the Indebtedness secured hereby shall become due and payable within sixty (60) days from the giving of such notice. Notwithstanding the foregoing, it is understood and agreed that Mortgagor is not obligated to pay any portion of Mortgagee's federal or state income tax.

7.24 Hazardous Materials and Environmental Requirements. Mortgagor shall comply with all laws, governmental standards and regulations applicable to Mortgagor or

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Article 9

DEFAULT AND FORECLOSURE

9.1 Remedies. If an Event of Default shall occur, Mortgagee may, at its option, exercise one or more or all of the following remedies either successively or concurrently:

9.1.1 Acceleration. Declare the unpaid portion of the Indebtedness to be immediately due and payable, without further notice or demand (each of which hereby is expressly waived by Mortgagor), whereupon the same shall become immediately due and payable.

9.1.2 Receiver. Apply at any time to a court having jurisdiction for the appointment of a receiver of the Mortgaged Property, and of the sale Contracts, Rents and Leases; and such appointment shall be made by the court as a matter of strict right to Mortgagee and without reference to the adequacy or inadequacy of the security or value of the Mortgaged Property, or to the solvency or insolvency of Mortgagor, and Mortgagor does hereby irrevocably consent to such appointment. The Rents or earnest money deposits shall be applied by the receiver to the payment of the Indebtedness, as provided in Section 9.5 hereof, or as otherwise ordered by the court.

9.1.3 Entry on Mortgaged Property. Enter upon the Mortgaged Property, without force or with such force as is permitted by law, and without notice or process or with such notice or process as is required by law, unless such notice or process is waiveable, in which case Mortgagor hereby waives such notice and process, and take exclusive possession thereof and of all books, records and accounts relating thereto.

9.1.4 Power of Sale. To the fullest extent permitted and pursuant to the procedures provided by applicable law, exercise such power of sale as may be provided by applicable law, and sell or offer for sale the Mortgaged Property in such portions, order and parcels as Mortgagee may determine, with or without having first taken possession of same, to the highest bidder at public auction. Such sales shall be made in accordance with the Legal Requirements therefor for the state in which the Mortgaged Property is located, including, to the extent there relevant, the Uniform Commercial Code there in effect. Nothing contained in this Section 9.1.4 shall be construed to limit in any way Mortgagee's rights to sell the Mortgaged Property by private sale if, and to the extent that, such private sale is permitted under the laws of the state where the Mortgaged Property is located or by public or private sale after entry of a judgment by any court of competent jurisdiction ordering same.

9.1.5 Full or Partial Foreclosure. Pursuant to the procedures provided by applicable law, institute and prosecute foreclosure proceedings with respect to the Mortgaged Property; or, if Mortgagee so elects, institute foreclosure procedures only with respect to a portion of the Indebtedness or to a portion of the Mortgaged Property (such partial proceeding being hereinafter referred to as a partial foreclosure). Mortgagor agrees that sale pursuant to a partial foreclosure, if so made, shall not in any manner affect the remainder of the secured Indebtedness, but as to such remainder this Mortgage and the lien thereof shall remain in full force and effect just as though no foreclosure sale had been made under the provisions of this Paragraph. Notwithstanding the filing of any partial foreclosure or entry of a decree of sale therein, Mortgagee may elect at any time prior to a foreclosure sale pursuant to such decree, to discontinue such partial foreclosure and to accelerate the entire secured Indebtedness by reason of any Event of Default upon which such partial foreclosure was predicated or by reason of any other Event of Default, and proceed with full foreclosure proceedings. It is further agreed that several foreclosure sales may be made pursuant to partial foreclosures without exhausting the right of full or partial foreclosure sale for any remainder of the secured Indebtedness, it being the purpose hereof to provide for a partial foreclosure sale of the secured Indebtedness without exhausting the power to foreclose and to sell the Mortgaged Property pursuant to any such partial foreclosure for any other part of the secured Indebtedness whether matured at the time or subsequently maturing, and without exhausting any right of acceleration and full foreclosure.

9.1.6 Other. Exercise any other remedy specifically granted under the Loan Documents or now or hereafter existing in equity, at law, by virtue of statute or otherwise.

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8.6 Damage or Destruction. If the Mortgaged Property or any material part thereof is demolished, destroyed or damaged by any cause whatsoever and the loss is not adequately covered by insurance actually collected and Mortgagor fails to deposit with Mortgagee the deficiency upon written request.

8.7 Tax on Indebtedness or Mortgage. If any law is enacted which results in the declaration of an Event of Default pursuant to paragraph 7.23 of this Mortgage.

8.8 Material Adverse Change. If there occurs, in the judgment of Mortgagee, a material adverse change in the net assets or financial condition of Mortgagor or either Guarantor, as reflected on any updated financial statement or as disclosed by an audit required by Mortgagee, compared to such party's net assets or financial condition as reflected on the financial statements submitted to Mortgagee as of the date hereof, and Mortgagor or such Guarantor shall fail to deliver to Mortgagee other collateral satisfactory to Mortgagee, within fifteen(15) days following notice by Mortgagee of such adverse change.

8.9 False Representation. If any representation or warranty made by Mortgagor, either Guarantor or any other Affiliated Person or others in, under or pursuant to the Loan Documents shall be false or misleading in any material respect on or at any time after the date when made or if any material inaccuracy shall exist in any of the financial statements, operating information or other information furnished to Mortgagee in connection with the Loan Documents.

8.10 Failure to Notify Mortgagee of Default or False Representation. If Mortgagor, either Guarantor or any other Affiliated Person shall fail to notify Mortgagee in writing as soon as it shall be practicable to do so upon learning that any representation or warranty made by Mortgagor by either Guarantor or by any other Affiliated Person to Mortgagee is false or misleading in any material respect or upon learning of the occurrence of any event which with the passage of time or the giving of notice or both would constitute an Event of Default under the Loan Documents.

8.11 Failure to Obtain Mortgagee's Consent to Transfer or Financing. If Mortgagor shall make any unpermitted transfer or financing in violation of Paragraphs 7.17 hereof.

8.12 Judgment; Levy or Attachment. If any final judgment for the payment of money in excess of Five Thousand Dollars (\$5,000.00) shall be rendered against Mortgagor, either Guarantor or any other Affiliated Person, or if any writ, attachment, levy, citation, lien or distress warrant shall be issued against the Mortgaged Property or any part thereof or interest therein, that is not bonded or insured over within thirty (30) days after issuance.

8.13 Inability to Pay Impositions and Other Debts. If Mortgagor shall fail to pay any of the Impositions when due, or if Mortgagor shall suffer or permit any other accounts payable in connection with the Mortgaged Property to become past due, or if Mortgagor, either Guarantor or any other Affiliated Person shall generally fail or be unable to pay its debts as they come due, or shall admit in writing its inability to pay its debts as they become due, or shall make a general assignment for the benefit of creditors.

8.14 Other Indebtedness. If Mortgagor, either Guarantor or any other Affiliated Person shall default in the due and punctual performance of any covenants, conditions, warranties, representations or other obligations, including, without limitation, the repayment of indebtedness, under any documents or instruments evidencing or securing any other indebtedness owed to Mortgagee and shall fail to cure such default within the applicable cure or grace period, if any.

8.15 Default under Contracts. If Mortgagor defaults under term or provision of any Contract and such default is not cured within the time period, if any, allowed for curing same thereunder.

8.16 Default Under Loan Documents. If a default or event of default occurs under the Notes, the Loan Agreement or any of the other Loan Documents and such default is not cured within the time period, if any, allowed for curing same thereunder.

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9.4 Waiver of Redemption, Notice, Marshalling, etc. To the extent permitted by law, Mortgagor hereby waives any and all rights of redemption from sale under any order or decree of foreclosure of this Mortgage or under any sale pursuant to any statute, order, decree or judgment of any court, on its own behalf, and on behalf of each and every person acquiring any interest in or title to the Mortgaged Property or any portion thereof. Mortgagor further agrees, to the extent permitted by law, that if a default occurs hereunder, neither Mortgagor nor anyone claiming through or under it shall or will set up, claim or seek to take advantage of any homestead exemption, appraisal, valuation, stay, extension, moratorium or other laws now or hereafter in force, in order to prevent or hinder enforcement or foreclosure of this Mortgage, or absolute sale of the property hereby conveyed, or the final and absolute putting into possession thereof, immediately after such sale, of the purchasers thereat, and Mortgagor, for itself and all who may at any time claim through or under it, hereby waives and releases to the full extent that it may lawfully so do the benefit of such laws and any and all rights to have the assets comprised in the security intended to be created hereby marshalled upon any foreclosure of the lien hereof.

9.5 Application of Proceeds. The proceeds of any sale or all or any portion of the Mortgaged Property and the amounts generated by any holding, leasing, operation or other use of the Mortgaged Property shall be applied by Mortgagee in such order as Mortgagee may at its option elect, for the following purposes:

- (a) to the payment of all of the costs and expenses of taking possession of the Mortgaged Property and of holding, using, leasing, repairing, improving and selling the same, including, without limitation, payment of attorneys' fees and fees of a receiver;
- (b) to the payment of accrued and unpaid interest due on the Notes; and
- (c) to the payment of the balance of the Indebtedness.

9.6 No Conditions Precedent to Exercise of Remedies: Mortgagor shall not be relieved of any Obligation by reason of: (a) the failure of Mortgagee to comply with any request of Mortgagor to foreclose the lien of this Mortgage or to enforce any provision of the other Loan Documents; (b) the release, regardless of consideration, of the Mortgaged Property or any portion thereof or the addition of any other property to the Mortgaged Property; (c) any agreement or stipulation extending, renewing, rearranging or in any other way modifying the terms of the Loan Documents without first having obtained the consent of, given notice to or paid any consideration to Mortgagor and in such event Mortgagor shall continue to be liable to make payment according to the terms of any such extension or modification agreement unless expressly released and discharged in writing by Mortgagee; or (d) by any other act or occurrence save and except the complete payment of the Indebtedness and the complete fulfillment of all of the Obligations.

9.7 Indemnity. Mortgagee shall not be obligated to perform or discharge, nor does it hereby undertake to perform or discharge, any obligation, duty or liability of Mortgagor, and to the extent provided by law and except for Mortgagee's willful misconduct or gross negligence, Mortgagor shall and does hereby agree to protect, indemnify, defend and hold Mortgagee harmless of and from any and all liability, loss, cost, expense or damage which it may or might incur in the exercise of its rights, remedies, powers and authority hereunder, and of and from any and all claims and demands whatsoever which may be asserted against it by reason of any alleged obligations, undertakings or liabilities. Should Mortgagee incur any such liability, loss, cost or damage of or in the defense of any claims or demands, the amount thereof, including costs, expenses and attorneys' fees, shall be secured hereby, and Mortgagor shall reimburse Mortgagee therefor immediately upon demand, with interest accruing at the Default Rate. Notwithstanding anything contained herein to the contrary, Mortgagor shall not protect, indemnify, defend and hold Mortgagee harmless of and from any and all loss which it may or might incur by reason of fluctuation in the Reference Rate (as defined in the Note).

9.8 Discontinuance of Proceedings. In case Mortgagee shall have proceeded to invoke any right, remedy or recourse permitted under the Loan Documents and shall thereafter elect to discontinue or abandon same for any reason, Mortgagor shall have the unqualified right so to do and, in such an event, Mortgagor and Mortgagee shall be restored to their former positions with respect to the Indebtedness, the Obligations, the Loan Documents, the Mortgaged Property and otherwise, and the rights, remedies, recourses and powers of Mortgagee shall continue as if same had never been invoked.

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9.2 Right and Authority of Receiver or Mortgagee in the Event of Default, Power of Attorney. Upon the occurrence of an Event of Default hereunder and entry upon the Mortgaged Property pursuant to Paragraph 9.1.3 hereof or appointment of a receiver pursuant to Paragraph 9.1.2 hereof, and under such terms and conditions as may be deemed prudent and reasonable, in the Mortgagee's or receiver's opinion under the circumstances, all at Mortgagor's expense, Mortgagee or said receiver, as the case may be, may do or permit any one or more of the following, successively or concurrently: (a) enter upon and take possession and control of the Mortgaged Property; (b) take and maintain possession of all documents, books, records, papers and accounts related to the Mortgaged Property; (c) exclude Mortgagor, its agents and employees, wholly from the Mortgaged Property; (d) manage and operate the Mortgaged Property; (e) preserve and maintain the Mortgaged Property; (f) make repairs and alterations to the Mortgaged Property; (g) complete any construction or repair of the improvements on the Mortgaged Property with such changes, additions or modifications to the plans and specifications or intended disposition and use of the improvements under construction on the Mortgaged Property as Mortgagee may deem appropriate or desirable to place the Mortgaged Property in such condition as will, in Mortgagee's sole judgment, make it or any part thereof readily marketable or rentable; (h) conduct a marketing or leasing program with respect to the Mortgaged Property, or employ a marketing or leasing agent or agents to do so, directed to the lease or sale of the Mortgaged Property, under such other terms and conditions as Mortgagee may in its sole discretion deem appropriate or desirable; (i) employ such contractors, subcontractors, materialmen, architects, engineers, consultants, managers, brokers, marketing agents or other employees, agents, independent contractors or professionals, as Mortgagee may in its discretion deem appropriate or desirable, to implement and effectuate the rights and powers herein granted; (j) execute and deliver, in the name of Mortgagor as attorney-in-fact and agent of Mortgagor, or in its own name as Mortgagee or receiver, such documents and instruments as are necessary or appropriate to consummate authorized transactions; (k) enter into such leases, whether of real or personal property, or tenancy agreements, under such terms and conditions as Mortgagee or receiver may in its sole discretion deem appropriate or desirable; (l) collect and receive the Rents, earnest money deposits and/or sale proceeds from the Mortgaged Property; (m) eject tenants or repossess personal property, as provided by law, for breaches of the conditions of their leases or other agreements; (n) sue for unpaid rents, payments, income or proceeds in the name of Mortgagor or Mortgagee; (o) maintain actions in forcible detainer and actions in distress for rent; (p) compromise or give acquittance for rents, payments, income or proceeds that may become due; (q) delegate or assign any and all rights and powers given to Mortgagee by this Mortgage; and/or (r) do any acts which Mortgagee or receiver in its discretion deems appropriate or desirable to protect the security hereof and/or use such measures, legal or equitable, as it may in its discretion deem appropriate or desirable to implement and effectuate the provisions of this Mortgage. This Mortgage shall constitute a direction to and full authority to any lessee or other third-party who has heretofore dealt or may hereafter deal with Mortgagor or Mortgagee, at the request of Mortgagee, to pay all amounts owing under any lease or other agreement to the Mortgagee without proof of the default relied upon. Any such lessee or third-party is hereby irrevocably authorized to rely upon and comply with (and shall be fully protected by Mortgagor in so doing) any request, notice or demand by the Mortgagee for the payment to the Mortgagee of any Rents, earnest money deposits and/or sale proceeds or other sums which may be or thereafter become due under its sale contracts or other agreement, or for the performance of any undertakings under any such Sale Contracts or other agreement, and shall have no right or duty to inquire as to whether any default under this Mortgage or any of the other Loan Documents has actually occurred or is then existing, and Mortgagor hereby constitutes and appoints Mortgagee, its assignees, successors, transferees and nominees, as Mortgagor's true and lawful attorney-in-fact and agent, with full power of substitution in the Mortgaged Property, in Mortgagor's name and stead, to do or permit any one or more of the foregoing described rights, remedies, powers and authorities, successively and concurrently, and said power of attorney shall be deemed a power coupled with an interest and irrevocable.

9.3 Remedies Cumulative and Concurrent. The rights and remedies of Mortgagee as provided herein and in the Loan Documents shall be cumulative and concurrent and may be pursued separately, successively or together against Mortgagor or against other obligors or against the Mortgaged Property, or any one or more of them, at the sole discretion of Mortgagee, and may be exercised as often as occasion therefor shall arise. The failure to exercise any such right or remedy shall in no event be construed as a waiver or release thereof.

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10.2 Obligatory Advances. It is specifically understood and agreed that all funds which are advanced by Mortgagee and employed in performance of the obligations of Mortgagor under this Mortgage or the Loan Documents or in the exercise of Mortgagee's judgment that the same are necessary or desirable to complete, operate, maintain or market the Mortgaged Property or to protect Mortgagee's security under the Loan Documents shall because of economic necessity and compulsion be deemed advanced by Mortgagee under an obligation to do so regardless of the identity of the person or persons to whom such funds are furnished and shall be added to the Indebtedness evidenced by the Notes and shall be equally secured by this Mortgage and shall have the same priority as all amounts, if any, advanced as of the date hereof.

10.3 Further Assurances. Mortgagor, upon the reasonable request of Mortgagee, will execute, acknowledge and deliver such further instruments (including, without limitation, a declaration of no set-off) and do such further acts as may be necessary, desirable or proper to carry out more effectively the purpose of the Loan Documents.

10.4 Recording and Filing. Mortgagor will cause the Loan Documents and all supplements thereto at all times to be recorded and filed in such manner and in such places as Mortgagee shall request, and will pay any recording and filing taxes, fees and other charges.

10.5 Notice. All notices, demands, requests and other communications required under the Loan Documents shall be in writing and shall be deemed to have been properly given if delivered by messenger or if sent by U.S. first class mail, postage prepaid, addressed to the party for whom it is intended at the Mortgagor's Address or the Mortgagee's Address, as the case may be, and if to Mortgagee, with copy to Coffield Ungaretti Harris & Slavin, 3500 Three First National Plaza, Chicago, Illinois 60602, Attention: Jack D. Jester, Esq. Notice will be deemed to have been given upon delivery if delivered by messenger or on the date of mailing if mailed. Any party may designate a change of address by written notice to the other.

10.6 Mortgagee's Right to Perform the Obligations. If Mortgagor fails to make any payment or perform any act required by the Notes, the Loan Documents or the Legal Requirements, Mortgagee, without any obligation so to do and without waiving any other right, remedy or recourse, may make such payment or perform such act at the expense of Mortgagor. All sums so paid by Mortgagee and all costs incurred in connection therewith, together with interest thereon at the Default Rate from the date of payment, shall constitute part of the Indebtedness secured by this Mortgage and the Loan Documents and shall be paid by Mortgagor to Mortgagee on demand or, upon failure to pay on demand, shall be included in any judgment of foreclosure.

10.7 Modification. The Loan Documents and the terms of each of them may not be changed, waived, discharged or terminated orally, but only by an instrument or instruments in writing signed by the party against which enforcement of the change, waiver, discharge or termination is asserted.

10.8 No Waiver. All options and rights of election herein provided for the benefit of the Mortgagee are continuing, and the failure to exercise any such option or right of election upon a particular default or breach or upon any subsequent default or breach shall not be construed as waiving the right to exercise such option or election at any later date. No exercise of the rights and powers herein granted and no delay or omission in the exercise of such rights and powers shall be held to exhaust the same or be construed as a waiver thereof, and every such right and power may be exercised at any time and from time to time.

10.9 Subrogation. If the proceeds of the Notes are utilized in whole or in part to pay off any existing lien against the Mortgaged Properties or any portion thereof, the Mortgagee shall be subrogated to any and all rights of the holder of any such lien, whether or not it is assigned to the Mortgagee, and said liens are hereby renewed, extended and carried forward in full force and effect for the benefit of Mortgagee.

10.10 Mortgagee's Costs and Expenses. Mortgagor further expressly covenants and agrees to pay Mortgagee all costs and expenses of every kind paid or incurred by Mortgagee in any way in connection with the Notes, this Mortgage or other Loan Documents and the protection of the Mortgaged Property or the maintenance of the lien of this Mortgage and the security interests under the other Loan Documents, or otherwise in connection with the determination and exercise by Mortgagee of any of its rights or remedies under the Loan Documents upon the occurrence of any event which, with the

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9.9. Non-recourse Provision. In the event of any default under the terms hereof, the Notes, the Loan Agreement or any other Loan Document, or upon maturity of the Notes, whether by acceleration or the passage of time or otherwise, the recourse of Mortgagee shall be limited to judicial foreclosure and the other remedies set forth herein or in the other Loan Documents, and, subject to the limitations expressly set forth below, there shall be no personal liability of Mortgagor for the payment of principal or interest or other amounts which may be due and payable on or under the terms of the Notes, the Loan Agreement, this Mortgage, or the other Loan Documents. Mortgagee shall look solely to the Mortgaged Property and any other security granted to Mortgagee under the terms hereof and the other Loan Documents upon foreclosure of the lien hereof and of the other Loan Documents, and shall not institute, seek, obtain or take any deficiency or monetary judgment against Mortgagor, or against any property of Mortgagor other than the Mortgaged Property, for any amounts unsatisfied after the application of the Mortgaged Property and other security granted to Mortgagee under the terms of this Mortgage and the other Loan Documents, and the proceeds thereof; provided, however that nothing contained in this paragraph shall in any manner or way release, effect or impair: (a) the existence of the debt evidenced by the Notes; (b) the enforceability of the liens and security interests created by this Mortgage and the other Loan Documents; (c) the right of Mortgagee to recover from Mortgagor any funds, damages or costs (including, without limitation, attorney's fees) incurred by Mortgagee as a result of fraud or material misrepresentation by or on behalf of Mortgagor; (d) the right of Mortgagee to recover from Mortgagor any condemnation or insurance proceeds which are not utilized in accordance with the terms of this Mortgage and other Loan Documents; (e) the right of Mortgagee to recover from Mortgagor any funds, damages or costs incurred by Mortgagee in connection with the payment of any Impositions not paid by Mortgagor in accordance with the terms of this Mortgage; (f) the right of Mortgagee after an occurrence of an event of default under this Mortgage or any of the other Loan Documents to recover from Mortgagor any Rents, earnest money deposits, and/or sale proceeds or other income received by Mortgagor from tenants or contract purchasers of the Mortgaged Property from and after said event of default; (g) the right of Mortgagee after the occurrence of an event of default to recover from Mortgagor any funds, damages or costs incurred by Mortgagee as a result of any material waste of the Mortgaged Property; (h) the right of Mortgagee to recover from the Mortgagor any sums expended by Mortgagee in performance or compliance with all covenants, agreements and provisions of any of the sale contracts or Leases which is so expended by Mortgagee as a result of Mortgagor's neglect or refusal to so perform said obligations or as a result of any act or omission of Mortgagor intended to prevent, or tending to prevent, Mortgagee from recovering any income lost by reason of Mortgagor's nonperformance of said obligations; and (i) the right of Mortgagee after the occurrence of an event of default to recover from Mortgagor the full amount of all Rents, earnest money or security deposits, including any interest accrued thereon, held by Mortgagor pursuant to the Contracts or Leases.

Article 10

MISCELLANEOUS

10.1 Future Advances. This Mortgage is given to secure payment of the Notes, whether the entire amount thereof shall have been advanced to the Mortgagor at the date hereof, or at a later date, and to secure the payment and performance of all other liabilities and obligations of Mortgagor under the Notes or the Loan Documents, and any other amount or amounts that may be added to the Indebtedness under the terms of this Mortgage, all of which Indebtedness being equally secured with and having the same priority as any amounts advanced at the date hereof. It is agreed that any future advances made by Mortgagee to or for the benefit of Mortgagor from time to time under this Mortgage or the Loan Documents shall be deemed to be obligatory, and the amount of any such advances and all interest accruing thereon, shall be equally secured by this Mortgage and have the same priority as all amounts, if any, advanced as of the date hereof and be subject to all of the terms and provisions of this Mortgage. The total amount of indebtedness that may be so secured may increase or decrease from time to time, but the total unpaid balance so secured at any one time, plus interest thereon, plus any disbursements made for the payment of taxes, levies, insurance or other liens, charges or encumbrances on the Mortgaged Property, plus interest on such disbursements at the Default Rate, shall not exceed Five Hundred Percent (500%) of the face amount of the Notes.

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it. Without limitation of the foregoing, Mortgagee shall not be deemed to be such a partner or joint venturer on account of its becoming a mortgagee in possession or exercising any rights pursuant to this Mortgage or pursuant to any other instrument or document securing any portion of the Indebtedness or otherwise. No other person shall be deemed to have any right or priority under this Mortgage to any extent or for any purpose whatsoever, nor shall any other person have any claim or right of action with respect to the Mortgaged Property or proceeds of the Indebtedness or be deemed a third-party beneficiary under this Mortgage or under the Loan Documents.

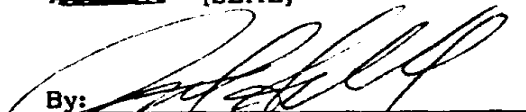
10.17 Severability: The Loan Documents are intended to be performed in accordance with, and only to the extent permitted by, all applicable Legal Requirements. If any provision of any of the Loan Documents or the application thereof to any person or circumstance shall, for any reason and to any extent, be invalid or unenforceable neither the remainder of the instrument in which such provision is contained nor the application of such provision to other persons or circumstances nor the other instruments referred to herein shall be affected thereby, but rather shall be enforced to the greatest extent permitted by law. It is hereby expressly stipulated and agreed to be the intent of Mortgagor and Mortgagee to at all times comply with the usury, and all other, laws relating to the Loan Documents. If, at any time, the applicable Legal Requirements render usurious any amount called for in any Loan Document, then it is Mortgagor's and Mortgagee's express intent that such document be enforced to the greatest extent permitted by law, so as to comply with the then applicable law so as to permit the recovery of the fullest amount otherwise called for in such Loan Documents.

10.18 Release Upon Payment and Discharge of Mortgagor's Obligations: If Mortgagor shall fully pay all principal and interest on the Notes and all other Indebtedness evidenced and secured hereby and perform and comply with all of the Obligations to be performed and complied with by Mortgagor, then this Mortgage shall be satisfied, and Mortgagee shall hereupon release this Mortgage and the lien thereof by proper instrument upon payment and discharge of all Indebtedness secured hereby and, if allowed by law, upon payment to Mortgagee of a reasonable fee for the preparation of such release.

10.19 Partial Release. Notwithstanding the requirements of Section 10.18 above, Mortgagee shall execute and deliver partial releases of this Mortgage and the lien thereof in accordance with the provisions of Section 12.2 of the Loan Agreement.


IN WITNESS WHEREOF, Mortgagor has caused this Mortgage to be executed as of the day and year first above written.

[SEAL]

By: 
Name: Michael Schell
Title: Vice-President

PDI Development, Inc., an Illinois corporation

Attest:

By: 
Name: Daniel D. O'Brien
Title: Vice President

Dist. Secretary

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passage of time or the giving of notice or both, could constitute a default or an event of default hereunder, including any and all expenditures for documentary evidence, title insurance, minutes of foreclosure, or any abstract or opinion of title to the Mortgaged Property, and all similar fees, costs, charges and expenses, and including all attorneys' fees and stenographer's fees, paid or incurred by Mortgagee in any suit or legal proceeding, or in preparation or in anticipation of declaring a default or event of default or in preparation or in anticipation of such suit or proceeding, regardless of whether such suit or proceeding is actually instituted, including without limitation, any bankruptcy or insolvency proceeding, probate proceeding, or other proceeding in which Mortgagee may in its discretion intervene in order to protect its security, or appeal from any of the foregoing, or otherwise paid or incurred by Mortgagee in obtaining legal advice regarding its rights and remedies under the Loan Documents or in determining whether to declare a default or event of default hereunder. All such fees, costs, charges and expenses shall constitute so much additional indebtedness evidenced by the Notes and secured by this Mortgage, regardless of whether the same may cause the indebtedness secured hereby to exceed the face amount of the Notes, and shall be immediately due and payable when incurred, with interest accruing thereon at the Default Rate, and shall be allowed in any decree of foreclosure hereof. No proceeding to foreclose this Mortgage, whether a decree of foreclosure shall have been entered therein or not, shall be dismissed, nor shall a release of this Mortgage be given until all such expenses, charges and costs of Mortgagee shall have been paid in full.

10.11 Usury. It is expressly stipulated and agreed to be the intent of the Mortgagor and Mortgagee to at all times comply with applicable law now or hereafter governing the interest payable on the Notes or the Loan. If the applicable law is ever revised, repealed, or judicially interpreted so as to render usurious any amount called for under the Notes (or under any other instrument evidencing or relating to any of the secured indebtedness), or contracted for, charged, taken, reserved or received with respect to the Loan, or if the Mortgagee's acceleration of the Notes or any prepayment by Mortgagor results in Mortgagor having paid any interest in excess of that permitted by law, then it is Mortgagor's and Mortgagee's express intent that all excess amounts theretofore collected by Mortgagee be credited on the principal balance of the Notes (or, if the Notes have been paid in full, refunded to Mortgagor), and the provisions of the Notes and this Mortgage and other Loan Documents immediately be deemed reformed and the amounts thereafter collectible hereunder and thereunder reduced, without the necessity of the execution of any new document, so as to comply with the then applicable law, but so as to permit the recovery of the fullest amount otherwise called for hereunder and thereunder.

10.12 Successors and Assigns; Covenants Running with the Land. The terms, provisions, covenants and conditions hereof and of the Loan Documents shall be binding upon Mortgagor and any other Affiliated Person, their respective heirs, devisees, representatives, successors and assigns, and shall inure to the benefit of the Mortgagee and its respective successors, substitutes and assigns, and shall constitute covenants running with the land. This subparagraph 10.12 shall in no way be construed to imply any consent by Mortgagee to any unpermitted transfer as set forth herein.

10.13 Conflict of Terms. The terms, provisions, covenants and conditions of the Mortgage shall be construed in such a manner as to be consistent with the terms and any other instruments executed in connection with or as security for the Notes, provided however, in the event of conflict between the terms of this Mortgage and the terms of the other Loan Documents, the terms of this Mortgage shall control.

10.14 Applicable Law. The rights and obligations of the parties hereto shall be governed by and construed in accordance with the laws of the State of Illinois, except to the extent that Federal law must preempt the applicability of state usury or other laws.

10.15 Business Loan. Mortgagor acknowledges and agrees that (a) the Notes, this Mortgage, and the other Loan Documents have been negotiated, executed and delivered in the State of Illinois; (b) the proceeds of the Notes will be used for a "business purpose" as specified in Section 4(1)(c) of Paragraph 6407, ch. 17 of the Illinois Revised Statutes, and that accordingly, the principal obligation secured hereby constitutes a business loan which comes within the purview of said paragraph; and (c) the Indebtedness and the Obligations secured hereby are an exempted transaction under the Truth-In-Lending Act, 15 U.S.C. §§1601, et seq.

10.16 No Joint Venture; No Third Party Beneficiary. Mortgagor acknowledges and agrees that in no event shall Mortgagee be deemed to be a partner or joint venturer with

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EXHIBIT A

Legal Description

PARCEL 1:

Lots 15, 18, 19, 22, 23 and 25 in the Parkhomes of Parkside on the Green being a Resubdivision of Lots 16 to 27 (both inclusive), Outlot A and Outlot B in Parkside, a Planned Unit Development in part of the Southwest Quarter, part of the South half of the Northwest Quarter and the Northeast Quarter of Section 27, Township 42 North, Range 10, East of the Third Principal Meridian according to the plat thereof recorded January 13, 1988 as Document No. 88,017,992 in Cook County, Illinois.

PARCEL 2:

Units 17-D1 and 17-D2 in Parkside on the Green Condominiums as delineated on a survey of the following described Parcel of real estate:

Part of the Parkhomes of Parkside Resubdivision, and the Arborhomes of Parkside on the Green Resubdivision, all in Section 27, Township 42 North, Range 10, East of the Third Principal Meridian, in the Village of Palatine, Cook County, Illinois, which survey is attached as Exhibit "C" to the Declaration of Condominium made by PDI Development, Inc. and recorded in the Office of the Recorder of Deeds of Cook County, Illinois, as Document Number 88,566,712, together with an undivided percentage interest in said Parcel (excepting from said Parcel all the property and space comprising all the units thereof as defined and set forth in said Declaration and Survey) as amended from time to time.

PIN NOS.: ~~02-27-111-019~~ 02-27-111-023
 ~~02-27-111-020~~ 02-27-111-024
 02-27-111-021 02-27-111-025
 02-27-111-022

ADDRESS: Euclid and Quentin Roads, Palatine, Illinois

89301341

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MORTGAGOR'S ACKNOWLEDGMENT

STATE OF ILLINOIS)
)
COUNTY OF COOK)

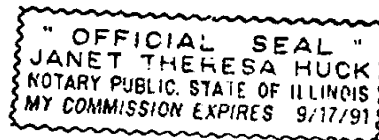
I, Janet Theresa Huck, a Notary Public in and for the County and State aforesaid, DO HEREBY CERTIFY, that Michael Schwall, the Vice-President of PDI DEVELOPMENT, INC., an Illinois corporation, and Weniel J. O'Brien the Secretary of said corporation, personally known to me to be the same persons whose names are subscribed to the foregoing instrument as such President and Asst. Secretary, respectively, appeared before me this day in person and acknowledged that they signed and delivered the said instrument as their own free and voluntary act, and the free and voluntary act of said corporation, for the uses and purposes therein set forth; and the said Asst. Secretary then and there acknowledged that he ~~was~~, as custodian of the corporate seal of said corporation, did affix the corporate seal of said corporation and said partnership for the uses and purposes therein set forth.

GIVEN under my hand and Notarial Seal this 21st day of June, 1989.

Janet Theresa Huck
Notary Public

My Commission expires:

9/17, 1991



This instrument was prepared by and after recording should be mailed to:

Jack D. Jester, Esq.
Coffield Ungaretti Harris & Slavin
3500 Three First National Plaza
Chicago, Illinois 60602

89301344

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PROMISSORY NOTE

\$840,000.00

Chicago, Illinois
June 21, 1989

FOR VALUE RECEIVED, PDI DEVELOPMENT, INC., an Illinois corporation (hereinafter referred to as "Maker"), promises to pay to the order of BANK ONE, MILWAUKEE, N.A., a national banking association (hereinafter referred to as the "Payee"), at 111 East Wisconsin Avenue, Milwaukee, Wisconsin 53202, or at such other place as Payee may from time to time designate, in the manner hereinafter provided, the principal sum of EIGHT HUNDRED FORTY THOUSAND DOLLARS (\$840,000.00), together with interest from the date of disbursement on the balance of principal remaining from time to time unpaid, as follows:

- 1. Loan Payment Terms.** Installments of interest only on the principal balance outstanding hereunder shall be payable monthly in arrears on the first (1st) day of each calendar month at the fluctuating rate per annum (hereinafter referred to as the "Interest Rate") at all times equal to One Percent (1.0%) in excess of the "Reference Rate" (as hereinafter defined) in effect from time to time. Interest on the principal balance outstanding shall be calculated on the basis of a 360-day year and the actual number of days elapsed in any month or portion thereof for which interest shall be due. As used herein, the term "Reference Rate" at any time shall mean the rate of interest then most recently announced by Payee, as its "Reference Rate." Changes in the rate of interest to be charged hereunder based on the Reference Rate shall take effect immediately upon the announcement of any change in the Reference Rate. A certificate made by an officer of Payee stating the Reference Rate in effect on any given date shall be conclusive evidence of the Reference Rate in effect on such date. In the event Payee ceases to use the term "Reference Rate" in setting a base rate of interest for interest rate determinations, then the Reference Rate herein shall be determined by reference to the rate used by Payee as a base rate of interest for interest rate determinations as the same shall be designated by Payee or, alternatively, in Payee's discretion, by reference to the Reference Rate of such other bank as Payee shall designate. Maker acknowledges that the Reference Rate announced by Payee or any base rate used in lieu thereof is not necessarily the lowest rate charged for secured or unsecured loans. Principal payments shall be made from the gross sale proceeds of "Homes" as set forth in Section 12.2 of that certain Construction Loan Agreement of even date herewith (hereinafter referred to as the "Loan Agreement") by and between Payee, as lender, and Maker, as borrower.
- 2. Maturity Date.** The entire unpaid principal balance hereunder and all unpaid interest accrued thereon shall be due and payable, if not sooner paid or if not sooner due by acceleration, or otherwise, on June 30, 1990 (hereinafter referred to as the "Maturity Date").
- 3. Prepayment.** Maker shall have the right to prepay the indebtedness evidenced hereby in full or in part, at any time, without premium or penalty. Any payment in full of this Note shall include, in addition to the unpaid principal balance, all interest accrued thereon, and any other sums which are secured by the Loan Documents (as defined in the Loan Agreement), including, but not limited to, any expenses incurred by the holder of this Note in connection herewith or in connection with any prior Event of Default of Maker under this Note or the Loan Documents.
- 4. Note Secured By Mortgage and Other Loan Documents.** This Note is secured by a certain Construction Mortgage, Assignment of Leases and Rents and Security Agreement of even date herewith (hereinafter referred to as the "Mortgage") executed by Maker in favor of Payee, which pertains to and encumbers certain real estate situated in Palatine, Illinois, legally described on Exhibit A attached to the Mortgage (hereinafter referred to as the "Real Estate"), and is further secured by the other Loan Documents, all of which documents bear even date herewith.
- 5. Waivers.** Maker, for itself and its successors and assigns, and each co-maker, endorser or guarantor of this Note, if any, for its successors and assigns, jointly and severally, forever waive presentment, protest and demand and notice of protest, demand, dishonor and non-payment of this Note, and to the extent allowed by law, waive and renounce all rights to the benefits of any statute of limitations and any moratorium, appraisement, exemption or homestead law now provided or which may hereafter be provided by any federal or state statute or decision, including but not limited to, exemptions provided by or allowed under the Bankruptcy Code of 1978, as amended, both as to themselves personally and as to all of its or their property, whether real or personal,

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EXHIBIT B

Permitted Exceptions

Property of Cook County Clerk's Office

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10. **Severability.** The parties hereto intend and believe that each provision in this Note comports with all applicable local, state and federal laws and judicial decisions. However, if any provisions, provision, or portion of any provision in this Note is found by a court of competent jurisdiction to be in violation of any applicable local, state or federal ordinance, statute, law, or administrative or judicial decision, or public policy, and if such court would declare such portion, provision or provisions of this Note to be illegal, invalid, unlawful, void or unenforceable as written, then it is the intent of all parties hereto that such portion, provision or provisions shall be given force and effect to the fullest possible extent that they are legal, valid and enforceable, and that the remainder of this Note shall be construed as if such illegal, invalid, unlawful, void or unenforceable portion, provision or provisions were severable and not contained herein, and that the rights, obligations and interest of Maker and the holder hereof under the remainder of this Note shall continue in full force and effect.

11. **Compliance With Usury Laws.** All terms, conditions and agreements herein are expressly limited so that in no contingency or event whatsoever, whether by reason of advancement of the proceeds hereof, acceleration of maturity of the unpaid principal balance hereof, or otherwise, shall the amount paid or agreed to be paid to the holders hereof for the use, forbearance or detention of the money to be advanced hereunder exceed the highest lawful rate permissible under applicable laws. If, from any circumstances whatsoever, fulfillment of any provision hereof shall involve transcending the limit of validity prescribed by law which a court of competent jurisdiction may deem applicable hereto, then ipso facto, the obligation to be fulfilled shall be reduced to the limit of such validity, and if under any circumstances the holder hereof shall ever receive as interest an amount which would exceed the highest lawful rate, such amount which would be excessive interest shall be applied to the reduction of the unpaid principal balance due hereunder and not to the payment of interest.

12. **Successors and Assigns.** This Note shall inure to the benefit of Payee and its successors and assigns and shall be binding upon Maker and its successors and assigns. As used herein, the term "Payee" shall mean and include the holder or holders of this Note from time to time.

13. **Extension of Payment Dates.** The time is hereby extended for the payment of any installment of principal or interest if the due date thereof falls on a Saturday, Sunday or any other day on which the commercial banks or savings and loan associations of the state of incorporation of Payee are authorized to close under the laws of the state of incorporation of Payee. Any installment so extended shall be due on the next succeeding day that such commercial banks or savings and loan associations are open for business.

14. **Acknowledgments.** Maker acknowledges and agrees that (i) that this Note and the rights and obligations of all parties hereunder shall be governed by and construed under the laws of the State of Illinois; (ii) that the loan is made for a commercial or business purpose; (iii) that the obligation evidenced by this Note is an exempted transaction under the Truth-in-Lending Act, 15 U.S.C. §1601, et seq.; and (iv) that the proceeds of the loan evidenced by this Note will not be used for the purchase of registered equity securities within the purview of Regulation "G" issued by the Board of Governors of the Federal Reserve System.

15. **Construction.** When the context or construction of the terms of this Note so require, all words used in the singular herein shall be deemed to have been used in the plural and the masculine shall include the feminine and neuter.

16. **Other Definitions.** All capitalized terms contained herein shall have the meanings set forth herein or, if not defined in this Note, the meanings set forth in the Loan Agreement.

EXECUTED AND DELIVERED at Chicago, Illinois as of the 21 day of June, 1989.

PDI DEVELOPMENT, INC., an Illinois corporation

ATTEST: (SEAL)

By:

Name: Michael Schell
Title: Vice-President

By:

Name: Donald J. [Signature]
Title: Vice President

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against the enforcement and collection of the obligations evidenced by this Note and any and all extensions, renewals and modifications hereof. Maker agrees to pay all costs and expenses of collection and enforcement of this Note when incurred, including Payee's attorneys' fees and legal and court costs, including any incurred on appeal or in connection with bankruptcy or insolvency, whether or not any lawsuit or proceeding is ever filed with respect hereto. No extensions of time of the payment of this Note or any installment hereof or any other modification, amendment or forbearance made by agreement with any person now or hereafter liable for the payment of this Note shall operate to release, discharge, modify, change or affect the liability of any co-maker, endorser, guarantor or any other person with regard to this Note, either in whole or in part.

6. Default and Acceleration. It is agreed, at the election of the holder or holders hereof and without further notice, that the entire unpaid principal balance outstanding hereunder, together with all interest accrued thereon, shall be accelerated and become immediately due and payable at the place of payment aforesaid in case Maker fails to pay any installment or payment of principal, interest or any other amount, within ten (10) days after written notice from Payee or in case at any time hereafter the right to foreclose or exercise the remedies available under the Mortgage or the other Loan Documents or to accelerate this Note shall accrue to the legal holder or holders hereof under any of the provisions contained in this Note, the Mortgage, the Loan Agreement or the other Loan Documents, including, without limitation, by reason of the Real Estate or any part thereof or legal or beneficial interest therein being sold, assigned, transferred, conveyed, mortgaged or otherwise liened or encumbered to or in favor of any party other than Lender, except for the Permitted Exceptions (as such term is defined in the Loan Agreement), without Lender's prior written consent, or in case at any time hereafter a default occurs under the Mortgage, the Loan Agreement or any of the other Loan Documents and Maker fails to cure the same within the time period, if any, provided for curing the same under the terms of the Mortgage, the Loan Agreement or the other Loan Documents.

7. Late Fees and Default Rate. Without limiting the foregoing, Payee shall have the option, in addition to or in lieu of any other right or remedy, to require that Maker pay Payee a late payment charge of five percent (5%) (unless prohibited by applicable law, in which event at the highest rate permitted by applicable law) of any installment payment not received by Payee within five (5) days of when due to partially defray the additional expenses incident to the handling and processing of past due payments. In lieu of or in addition to any other right or remedy then available under this Note or the other Loan Documents, the holder or holders hereof shall have the right and option, without further notice, from and after such time as Maker fails to pay any installment of principal, interest or other amount, as and when due under the Note, to implement the "Default Interest Rate" to the entire principal balance outstanding under the Note. For purposes of this Note, the "Default Interest Rate" shall mean the fluctuating rate of Four Percent (4%) per annum in excess of the Reference Rate, unless prohibited by applicable law, in which event at the highest rate permitted by applicable law. In the event a judgment is entered hereon, interest shall continue to be due at the Default Interest Rate provided for herein on the unpaid principal balance hereof from and after the date of said judgment and until payment in full is received by the holder or holders hereof.

8. Time of Essence. Time is of the essence hereof.

9. No Waiver By Payee; No Release; Amendments. No failure on the part of Payee or any holder hereof to exercise any right or remedy hereunder, whether before or after the occurrence of a default, shall constitute a waiver thereof, and no waiver of any past default shall constitute a waiver of any future default or of any other default. No failure to accelerate the debt evidenced hereby by reason of default hereunder, or acceptance of a past due installment, or indulgence granted from time to time shall be construed to be a waiver of the right to insist upon prompt payment thereafter or to impose late charges retroactively or prospectively, or shall be deemed to be a novation of this Note or as a reinstatement of the debt evidenced hereby or as a waiver of such right of acceleration or any other right, or be construed so as to preclude the exercise of any right which Payee or any holder hereof may have, whether by the laws of the state governing this Note, by agreement or otherwise, and none of the foregoing shall operate to release, change or affect the liability of Maker or any co-maker, endorser or guarantor of this Note, and Maker and each co-maker, endorser and guarantor hereby expressly waive the benefit of any statute or rule of law or equity which would produce a result contrary to or in conflict with the foregoing. This Note may not be modified or amended orally, but only by an agreement in writing signed by the party against whom such agreement is sought to be enforced.

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as the "Real Estate"), and is further secured by the other Loan Documents, all of which documents bear even date herewith.

6. **Waivers.** Maker, for itself and its successors and assigns, and each co-maker, endorser or guarantor of this Note, if any, for its successors and assigns, jointly and severally, forever waive presentment, protest and demand and notice of protest, demand, dishonor and non-payment of this Note, and to the extent allowed by law, waive and renounce all rights to the benefits of any statute of limitations and any moratorium, appraisement, exemption or homestead law now provided or which may hereafter be provided by any federal or state statute or decision, including but not limited to, exemptions provided by or allowed under the Bankruptcy Code of 1978, as amended, both as to themselves personally and as to all of its or their property, whether real or personal, against the enforcement and collection of the obligations evidenced by this Note and any and all extensions, renewals and modifications hereof. Maker agrees to pay all costs and expenses of collection and enforcement of this Note when incurred, including Payee's attorneys' fees and legal and court costs, including any incurred on appeal or in connection with bankruptcy or insolvency, whether or not any lawsuit or proceeding is ever filed with respect hereto. No extensions of time of the payment of this Note or any installment hereof or any other modification, amendment or forbearance made by agreement with any person now or hereafter liable for the payment of this Note shall operate to release, discharge, modify, change or affect the liability of any co-maker, endorser, guarantor or any other person with regard to this Note, either in whole or in part.

7. **Default and Acceleration.** It is agreed, at the election of the holder or holders hereof and without further notice, that the entire unpaid principal balance outstanding hereunder, together with all interest accrued thereon, shall be accelerated and become immediately due and payable at the place of payment aforesaid in case Maker fails to pay any installment or payment of principal, interest or any other amount, within ten (10) days after written notice from Payee or in case at any time hereafter the right to foreclose or exercise the remedies available under the Mortgage or the other Loan Documents or to accelerate this Note shall accrue to the legal holder or holders hereof under any of the provisions contained in this Note, the Mortgage, the Loan Agreement or the other Loan Documents, including, without limitation, by reason of the Real Estate or any part thereof or legal or beneficial interest therein being sold, assigned, transferred, conveyed, mortgaged or otherwise liened or encumbered to or in favor of any party other than Lender, except for the Permitted Exceptions (as such term is defined in the Loan Agreement), without Lender's prior written consent, or in case at any time hereafter a default occurs under the Mortgage, the Loan Agreement or any of the other Loan Documents and Maker fails to cure the same within the time period, if any, provided for curing the same under the terms of the Mortgage, the Loan Agreement or the other Loan Documents.

8. **Late Fees and Default Rate.** Without limiting the foregoing, Payee shall have the option, in addition to or in lieu of any other right or remedy, to require that Maker pay Payee a late payment charge of five percent (5%) (unless prohibited by applicable law, in which event at the highest rate permitted by applicable law) of any installment payment not received by Payee within five (5) days of when due to partially defray the additional expenses incident to the handling and processing of past due payments. In lieu of or in addition to any other right or remedy then available under this Note or the other Loan Documents, the holder or holders hereof shall have the right and option, without further notice, from and after such time as Maker fails to pay any installment of principal, interest or other amount, as and when due under the Note, to implement the "Default Interest Rate" to the entire principal balance outstanding under the Note. For purposes of this Note, the "Default Interest Rate" shall mean the fluctuating rate of Four Percent (4%) per annum in excess of the Reference Rate, unless prohibited by applicable law, in which event at the highest rate permitted by applicable law. In the event a judgment is entered hereon, interest shall continue to be due at the Default Interest Rate provided for herein on the unpaid principal balance hereof from and after the date of said judgment and until payment in full is received by the holder or holders hereof.

9. **Time of Essence.** Time is of the essence hereof.

10. **No Waiver By Payee; No Release; Amendments.** No failure on the part of Payee or any holder hereof to exercise any right or remedy hereunder, whether before or after the occurrence of a default, shall constitute a waiver thereof, and no waiver of any past default shall constitute a waiver of any future default or of any other default. No failure to accelerate the debt evidenced hereby by reason of default hereunder, or acceptance of a past due installment, or indulgence granted from time to time shall be construed to be a waiver of the right to insist upon prompt payment thereafter or to impose late charges retroactively or prospectively, or shall be deemed to be a novation of this Note or as a

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Exh. 6.1.D

REVOLVING CREDIT NOTE

\$2,660,000.00

Chicago, Illinois
June 21, 1989

FOR VALUE RECEIVED, PDI DEVELOPMENT, INC., an Illinois corporation (hereinafter referred to as "Maker"), promises to pay to the order of BANK ONE, MILWAUKEE, N.A., a national banking association (hereinafter referred to as the "Payee"), at 111 East Wisconsin Avenue, Milwaukee, Wisconsin 53202, or at such other place as Payee may from time to time designate, in the manner hereinafter provided, the principal sum of TWO MILLION SIX HUNDRED SIXTY THOUSAND DOLLARS (\$2,660,000.00) or so much as may be advanced from time to time by Payee pursuant to the provisions of that certain Construction Loan Agreement of even date herewith (hereinafter referred to as the "Loan Agreement") by and between Payee, as lender, and Maker, as borrower, or pursuant to the terms hereof, together with interest from the date of disbursement on the balance of principal remaining from time to time unpaid, as follows:

1. **Loan Payment Terms.** Installments of interest only on the principal balance outstanding hereunder shall be payable monthly in arrears on the first (1st) day of each calendar month at the fluctuating rate per annum (hereinafter referred to as the "Interest Rate") at all times equal to One Percent (1.0%) in excess of the "Reference Rate" (as hereinafter defined) in effect from time to time. Interest on the principal balance outstanding shall be calculated on the basis of a 360-day year and the actual number of days elapsed in any month or portion thereof for which interest shall be due. As used herein, the term "Reference Rate" at any time shall mean the rate of interest then most recently announced by Payee, as its "Reference Rate." Changes in the rate of interest to be charged hereunder based on the Reference Rate shall take effect immediately upon the announcement of any change in the Reference Rate. A certificate made by an officer of Payee stating the Reference Rate in effect on any given date shall be conclusive evidence of the Reference Rate in effect on such date. In the event Payee ceases to use the term "Reference Rate" in setting a base rate of interest for interest rate determination, then the Reference Rate herein shall be determined by reference to the rate used by Payee as a base rate of interest for interest rate determination as the same shall be designated by Payee or, alternatively, in Payee's discretion, by reference to the Reference Rate of such other bank as Payee shall designate. Maker acknowledges that the Reference Rate announced by Payee or any base rate used in lieu thereof is not necessarily the lowest rate charged for secured or unsecured loans. Principal payments shall be made from the gross sale proceeds of Homes (as defined in the Loan Agreement) as set forth in Section 12.2 of the Loan Agreement.

2. **Maturity Date.** The entire unpaid principal balance hereunder and all unpaid interest accrued thereon shall be due and payable, if not sooner paid or if not sooner due by acceleration, or otherwise, on June 30, 1990 (hereinafter referred to as the "Maturity Date").

3. **Prepayment.** Maker shall have the right to prepay the indebtedness evidenced hereby in full or in part, at any time, without premium or penalty. Any payment in full of this Note shall include, in addition to the unpaid principal balance, all interest accrued thereon, and any other sums which are secured by the Loan Documents (as defined in the Loan Agreement), including, but not limited to, any expenses incurred by the holder of this Note in connection herewith or in connection with any prior Event of Default of Maker under this Note or the Loan Documents.

4. **Revolving Loan.** Provided Maker is not in Default (as defined in the Loan Agreement) under the Loan Agreement or under any other Loan Document, as Maker repays the principal amount of the indebtedness evidenced hereby, as more fully provided in the Loan Agreement, Maker shall be permitted to borrow, repay and reborrow the principal amount hereunder, and the outstanding principal balance hereunder may fluctuate up and down from time to time, provided that the maximum principal balance of the indebtedness evidenced hereby shall never exceed Two Million Six Hundred Sixty Thousand Dollars (\$2,660,000.00) at any time. This Note is the "Revolving Credit Note" referred to in the Loan Agreement.

5. **Note Secured By Mortgage and Other Loan Documents.** This Note is secured by a certain Construction Mortgage, Assignment of Leases and Rents and Security Agreement of even date herewith (hereinafter referred to as the "Mortgage") executed by Maker in favor of Payee, which pertains to and encumbers certain real estate situated in Palatine, Illinois, legally described on Exhibit A attached to the Mortgage (hereinafter referred to

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EXECUTED AND DELIVERED at Chicago, Illinois as of the 21 day of June, 1989.

PDI DEVELOPMENT, INC., an Illinois corporation

ATTEST: (SEAL)

By: [Signature]
Name: Michael Schall
Title: Vice-President

By: [Signature]
Name: Donald J. [unclear]
Title: Vice President

Property of Cook County Clerk's Office

DEPT-91 142.00

7#1111 TRAN 0107 06/20/89 12 26:00

#8107 # 2 * 89-301341
COOK COUNTY RECORDER

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reinstatement of the debt evidenced hereby or as a waiver of such right of acceleration or any other right, or be construed so as to preclude the exercise of any right which Payee or any holder hereof may have, whether by the laws of the state governing this Note, by agreement or otherwise, and none of the foregoing shall operate to release, change or affect the liability of Maker or any co-maker, endorser or guarantor of this Note, and Maker and each co-maker, endorser and guarantor hereby expressly waive the benefit of any statute or rule of law or equity which would produce a result contrary to or in conflict with the foregoing. This Note may not be modified or amended orally, but only by an agreement in writing signed by the party against whom such agreement is sought to be enforced.

11. **Severability.** The parties hereto intend and believe that each provision in this Note comports with all applicable local, state and federal laws and judicial decisions. However, if any provisions, provision, or portion of any provision in this Note is found by a court of competent jurisdiction to be in violation of any applicable local, state or federal ordinance, statute, law, or administrative or judicial decision, or public policy, and if such court would declare such portion, provision or provisions of this Note to be illegal, invalid, unlawful, void or unenforceable as written, then it is the intent of all parties hereto that such portion, provision or provisions shall be given force and effect to the fullest possible extent that they are legal, valid and enforceable, and that the remainder of this Note shall be construed as if such illegal, invalid, unlawful, void or unenforceable portion, provision or provisions were severable and not contained herein, and that the rights, obligations and interest of Maker and the holder hereof under the remainder of this Note shall continue in full force and effect.

12. **Compliance With Usury Laws.** All terms, conditions and agreements herein are expressly limited so that in no contingency or event whatsoever, whether by reason of advancement of the proceeds hereof, acceleration of maturity of the unpaid principal balance hereof, or otherwise, shall the amount paid or agreed to be paid to the holders hereof for the use, forbearance or detention of the money to be advanced hereunder exceed the highest lawful rate permissible under applicable laws. If, from any circumstances whatsoever, fulfillment of any provision hereof shall involve transcending the limit of validity prescribed by law which a court of competent jurisdiction may deem applicable hereto, then *ipso facto*, the obligation to be fulfilled shall be reduced to the limit of such validity, and if under any circumstances the holder hereof shall ever receive as interest an amount which would exceed the highest lawful rate, such amount which would be excessive interest shall be applied to the reduction of the unpaid principal balance due hereunder and not to the payment of interest.

13. **Successors and Assigns.** This Note shall inure to the benefit of Payee and its successors and assigns and shall be binding upon Maker and its successors and assigns. As used herein, the term "Payee" shall mean and include the holder or holders of this Note from time to time.

14. **Extension of Payment Dates.** The time is hereby extended for the payment of any installment of principal or interest if the due date thereof falls on a Saturday, Sunday or any other day on which the commercial banks or savings and loan associations of the state of incorporation of Payee are authorized to close under the laws of the state of incorporation of Payee. Any installment so extended shall be due on the next succeeding day that such commercial banks or savings and loan associations are open for business.

15. **Acknowledgments.** Maker acknowledges and agrees that (i) that this Note and the rights and obligations of all parties hereunder shall be governed by and construed under the laws of the State of Illinois; (ii) that the loan is made for a commercial or business purpose; (iii) that the obligation evidenced by this Note is an exempted transaction under the Truth-in-Lending Act, 15 U.S.C. §1601, et seq.; and (iv) that the proceeds of the loan evidenced by this Note will not be used for the purchase of registered equity securities within the purview of Regulation "G" issued by the Board of Governors of the Federal Reserve System.

16. **Construction.** When the context or construction of the terms of this Note so require, all words used in the singular herein shall be deemed to have been used in the plural and the masculine shall include the feminine and neuter.

17. **Other Definitions.** All capitalized terms contained herein shall have the meanings set forth herein or, if not defined in this Note, the meanings set forth in the Loan Agreement.

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