

[Execution Copy]
[Bank Mortgage]

STATE OF ALABAMA)
SHELBY COUNTY)

Inst # 1996-30694

**MORTGAGE, SECURITY AGREEMENT AND
ASSIGNMENT OF RENTS AND LEASES**

THIS MORTGAGE, SECURITY AGREEMENT AND ASSIGNMENT OF RENTS AND LEASES (this "Agreement") dated September 1, 1996 is entered into by **ALABAMA HOUSING FINANCE AUTHORITY**, a public corporation organized under the laws of the State of Alabama (the "Authority"), and **BALBOA INVESTMENT GROUP II**, a California general partnership (the "Company"; the Authority and the Company being hereinafter sometimes together referred to as the "Mortgagors") for the benefit of **AMSOUTH BANK OF ALABAMA**, an Alabama banking corporation (the "Bank"), as mortgagee.

Recitals

The Authority will issue its \$6,000,000 aggregate principal amount of Multi-Family Refunding Revenue Bonds (Turtle Lake Project), 1996 Series F (the "Series 1996 Bonds") pursuant to a Trust Indenture dated as of September 1, 1996 (the "Indenture") between the Authority and AmSouth Bank of Alabama, a state banking corporation with its principal place of business in Birmingham, Alabama (the "Trustee"). The Series 1996 Bonds will be issued to provide financing for the Company. Proceeds of the Series 1996 Bonds will be used to pay a portion of the costs of refunding the Authority's \$6,000,000 Multi-Family Housing Residential Development Bonds, 1985 Series Q (Alabama Federal Savings and Loan Association), the proceeds of which bonds were used to purchase a mortgage loan made to finance the acquisition and construction of certain multi-family housing facilities known as the Turtle Lake Apartments (the "Facilities").

The proceeds of the Series 1996 Bond will be used by the Authority to purchase a mortgage loan (the "Loan") to be originated and made by AmSouth Bank of Alabama (in such capacity, the "Lender") between the Lender and the Company. Pursuant to a Loan Agreement dated September 1, 1996 (the "Loan Agreement") between the Company and the Lender, the Company will agree to make loan payments at such times and in such amounts as shall be sufficient to pay debt service on the Series 1996 Bonds and the purchase price of Series 1996 Bonds tendered for purchase in accordance with the optional or mandatory tender provisions of the Indenture. The obligation of the Company to repay the Loan will be evidenced by a promissory note (the "Note") executed by the Company. Pursuant to the Indenture the Authority will assign and pledge to the Trustee all the Authority's rights under the Loan Agreement, except for certain rights relating to indemnification, reimbursement of expenses and receipt of notices and other communications.

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The Company has asked the Bank to issue an irrevocable letter of credit (the "Letter of Credit") in favor of the Trustee to enable the Trustee to pay debt service on the Series 1996 Bonds and the purchase price of Series 1996 Bonds tendered for purchase in accordance with the optional or mandatory tender provisions of the Indenture.

The Letter of Credit will be issued by the Bank pursuant to a Credit Agreement dated September 1, 1996 (the "Credit Agreement") between the Company and the Bank, whereby the Company will agree, among other things, to reimburse the Bank for all amounts drawn by the Trustee pursuant to the Letter of Credit.

As security for the Company's obligations under the Credit Agreement, Patrick C. Stacker, Linda A. Stacker, Roger T. Geyer and Linda D. Geyer (the "Guarantors") each will enter into a Guaranty Agreement dated September 1, 1996 (collectively, the "Credit Guaranty") in favor of the Bank, whereby the Guarantors will guarantee payment when due of all indebtedness or obligations of the Company to the Bank under the Credit Agreement.

As additional security for the Company's obligations under this Agreement, the Company and the Authority shall execute this Agreement in favor of the Bank, whereby the Bank will be granted a mortgage on and security interest in the Facilities and certain other collateral.

Agreement

NOW, THEREFORE, in consideration of the foregoing Recitals, and to induce the Bank to extend Credit to the Company under the Credit Documents, the Mortgagors agree with the Bank as follows:

ARTICLE 1

Rules of Construction and Definitions

SECTION 1.1 Rules of Construction. For the purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

(a) Words of masculine, feminine or neuter gender include the correlative words of other genders. Singular terms include the plural as well as the singular, and vice versa.

(b) All references herein to designated "Articles," "Sections" and other subdivisions or to lettered Exhibits are to the designated Articles, Sections and subdivisions hereof and the Exhibits annexed hereto unless expressly otherwise designated in context. All Article, Section, other subdivision and Exhibit captions herein are used for reference only and do not limit or describe the scope or intent of, or in any way affect, this Agreement.

(c) The terms "include," "including," and similar terms shall be construed as if followed by the phrase "without being limited to."

(d) The terms "herein," "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section, other subdivision or Exhibit.

(e) All Recitals set forth in, and all Exhibits to, this Agreement are hereby incorporated in this Agreement by reference.

(f) No inference in favor of or against any party shall be drawn from the fact that such party or such party's counsel has drafted any portion hereof.

(g) All references in this Agreement to a separate instrument are to such separate instrument as the same may be amended or supplemented from time to time pursuant to the applicable provisions thereof.

SECTION 1.2 Definitions. As used in this Agreement, capitalized terms that are not otherwise defined herein have the meanings defined for them in the Credit Agreement described in Exhibit B and the following terms are defined as follows:

(a) **Authority** means Alabama Housing Finance Authority, a public corporation organized under the laws of the State of Alabama.

(b) **Bank** means AmSouth Bank of Alabama, an Alabama banking corporation, its successors and assigns.

(c) **Business Day** means any day, excluding Saturday and Sunday, on which the Bank's main office in Birmingham, Alabama, is open to the public for carrying on substantially all of its banking business.

(d) **Company** means Balboa Investment Group II, a California general partnership.

(e) **Credit** means, individually and collectively, all loans, forbearances, renewals, extensions, advances, disbursements and other extensions of credit now or hereafter made by the Bank to or for the account of the Company under the Credit Documents, including, without limitation, the issuance of the Letter of Credit for the account of the Company and the payment of draws under the Letter of Credit.

(f) **Credit Agreement** means that certain Credit Agreement dated September 1, 1996 between the Company and the Bank.

(g) **Credit Documents** means this Agreement and the documents described in Exhibit B and all other documents now or hereafter executed or delivered in connection with the transactions contemplated thereby.

(h) **Default Rate** means a rate of interest equal to 4.0 percentage points (400 basis points) in excess of the highest interest rate that would otherwise be payable on the principal

amount of the Credit under the Credit Documents from time to time in the absence of the existence of a default, or the maximum rate permitted by law, whichever is less.

(i) **Event of Default** is defined in Section 5.2. An Event of Default "exists" if the same has occurred and is continuing.

(j) **Governmental Authority** means any national, state, county, municipal or other government, domestic or foreign, and any agency, authority, department, commission, bureau, board, court or other instrumentality thereof.

(k) **Governmental Requirements** means all laws, rules, regulations, ordinances, judgments, decrees, codes, orders, injunctions, notices and demand letters of any Governmental Authority.

(l) **Hazardous Substance Law** means any Governmental Requirement relating to environmental conditions, industrial hygiene, pollution, or the protection of human health or the environment, including the Resource Conservation and Recovery Act of 1976, 42 U.S.C. § 6901 *et seq.*, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. § 9601 *et seq.*, the Superfund Amendments and Reauthorization Act of 1986, 42 U.S.C. § 6901 *et seq.*, the Hazardous Materials Transportation Act, 49 U.S.C. § 6901 *et seq.*, the Federal Water Pollution Control Act, 33 U.S.C. §§ 1251 *et seq.*, the Clean Air Act, 42 U.S.C. §§ 741 *et seq.*, the Clean Water Act, 33 U.S.C. § 7401 *et seq.*, the Toxic Substances Control Act, 15 U.S.C. §§ 2601-2629, the Safe Drinking Water Act, 42 U.S.C. §§ 300f-300j (all as heretofore or hereafter amended from time to time), all applicable statutes of the State in which the Real Property is located, including any so-called "Superfund" or "Superlien" law, and all Governmental Requirements now or hereafter promulgated under any of the foregoing, including any Governmental Requirement relating to emissions, discharges, releases or threatened releases of Hazardous Substances into the workplace or the environment.

(m) **Hazardous Substances** means all pollutants, effluents, contaminants, emissions, toxic or hazardous wastes and other substances, the removal of which is required or the manufacture, use, maintenance, handling, discharge or release of which is regulated, restricted, prohibited or penalized by any Governmental Requirement, or even if not so regulated, restricted, prohibited or penalized, might pose a hazard to the health and safety of the public or the occupants of the property on which it is located or the occupants of the property adjacent thereto, including (1) asbestos or asbestos-containing materials, (2) urea formaldehyde foam insulation, (3) polychlorinated biphenyls (PCBs), (4) flammable explosives, (5) radon gas, (6) laboratory wastes, (7) experimental products, including genetically engineered microbes and other recombinant DNA products, (8) petroleum, crude oil, natural gas, natural gas liquid, liquefied natural gas, other petroleum products and synthetic gas usable as fuel, (9) radioactive materials and (10) any substance or mixture listed, defined or otherwise determined by any Governmental Authority to be hazardous, toxic or dangerous, or otherwise regulated, affected, controlled or giving rise to liability under any Governmental Requirement.

(n) **Impositions** means all taxes, assessments, dues, fines, rents, levies, fees, permits and other governmental and quasi-governmental charges imposed or levied upon the Property

(or any part thereof), the operations thereon, the use or occupancy thereof, the Liens or other interests created by this Agreement, the filing or recording of this Agreement or the Obligations.

(o) **Improvements** is defined in Section 2.1(b).

(p) **Indenture** means that certain Trust Indenture dated as of September 1, 1996 between the Authority and AmSouth Bank of Alabama, as trustee.

(q) **Land** is defined in Section 2.1(a).

(r) **Letter of Credit** means that certain Letter of Credit issued by the Bank for the account of the Company pursuant to the Credit Agreement in the face amount of \$6,065,754.

(s) **Lien** means any mortgage, pledge, assignment, charge, encumbrance, lien, security title, security interest or other preferential arrangement.

(t) **Mortgagors** means the Company and the Authority.

(u) **Obligations** means (1) the payment of all amounts now or hereafter becoming due and payable under the Credit Documents, including the obligation of the Company to reimburse the Bank for draws made under the Letter of Credit, all interest thereon (including interest that, but for the filing of a petition in bankruptcy, would accrue on any such principal) and all other fees, charges and costs (including attorneys' fees and disbursements) payable in connection therewith; (2) the observance and performance by the Company of all of the provisions of the Credit Documents; (3) the payment of all sums advanced or paid by the Bank in exercising any of its rights, powers or remedies under the Credit Documents, and all interest (including post-bankruptcy petition interest, as aforesaid) on such sums provided for herein or therein; and (4) all renewals, extensions, modifications and amendments of any of the foregoing, whether or not any renewal, extension, modification or amendment agreement is executed in connection therewith.

(v) **Obligors** means the Company, each other person, if any, executing any Security Document as a grantor, (if the Company is a partnership) any general partner thereof, and any other maker, endorser, surety, guarantor or other person now or hereafter liable for the payment or performance, in whole or in part, of any of the Obligations.

(w) **Permitted Encumbrances** means any Liens and other matters affecting title to the Property that are described in Exhibit C.

(x) **Person** (whether or not capitalized) includes natural persons, sole proprietorships, corporations, trusts, unincorporated organizations, associations, companies, institutions, entities, joint ventures, partnerships, limited liability companies and Governmental Authorities.

(y) **Personal Property** is defined in Section 2.1(c).

(z) **Property** is defined in Section 2.1.

(aa) **Real Property** is defined in Section 2.1(b).

(ab) **Security Documents** means all Credit Documents that now or hereafter grant or purport to grant to the Bank any guaranty, collateral or other security for any of the Obligations.

(ac) **UCC Property** means the Personal Property and all other personal property and fixtures included in the Property.

ARTICLE 2

Granting Clauses

SECTION 2.1 Granting Clauses. As security for the Obligations, the Mortgagors hereby grant, bargain, sell, assign and convey unto the Bank, and hereby grant to the Bank a security interest in, all of their respective right, title and interest in, to and under the following property and interests in property (collectively, the "Property"):

(a) **Land**. The land located in Shelby County, Alabama more particularly described in Exhibit A, and all reversions and remainders in and to said land and all tenements, hereditaments, easements, rights-of-way, rights (including mineral and mining rights, and all water, oil and gas rights), privileges, royalties and appurtenances to said land, now or hereafter belonging or in anywise appertaining thereto, including any right, title and interest in, to or under any agreement or right granting, conveying or creating, for the benefit of said land, any easement, right or license in any other property, and in, to or under any streets, ways, alleys, vaults, gores or strips of land adjoining said land or any parcel thereof, or in or to the air space over said land; and all claims or demands of the Mortgagors, or either of them, at law or in equity, in possession or expectancy of, in or to any of the same (all of the foregoing hereinafter collectively called the "Land").

(b) **Improvements**. All buildings, structures, facilities and other improvements now or hereafter located on the Land, and all building materials, building equipment and fixtures of every kind and nature now or hereafter located on the Land or attached to, contained in, or used in connection with, any such buildings, structures, facilities or other improvements, and all appurtenances and additions thereto and betterments, renewals, substitutions and replacements thereof, now owned or hereafter acquired by the Mortgagors, or either of them (all of the foregoing hereinafter collectively called the "Improvements," and together with the Land called the "Real Property").

(c) **Personal Property**. All goods, equipment, inventory, supplies and other items or types of tangible personal property (including additions and accessions thereto and replacements and substitutions therefor) now owned or hereafter created or acquired by the Mortgagors, or either of them and attached to the Real Property (other than fixtures); or placed on the Real Property and used or useful in connection with, or in any way pertaining or relating to, the Real Property or the use and occupancy thereof, though not attached to the Real Property; or for which the proceeds of the Credit have been or may be advanced, wherever the

same may be located (all of the foregoing hereinafter collectively called the "Personal Property").

(d) **Rents and Leases.** All leases, subleases, lettings and licenses, and other use and occupancy agreements, now or hereafter pertaining to any of the Real Property or Personal Property, and all rents, profits, issues and revenues of the Real Property and Personal Property now or hereafter accruing, whether accruing before or after the filing of any petition by or against the Company under the federal Bankruptcy Code; provided, however, that if no Event of Default exists, the Company shall have a license (but limited as set forth in Section 5.3(f)) to collect and receive all of such rents, profits, issues and revenues.

(e) **Insurance Policies.** All policies of hazard insurance now or hereafter in effect that insure the Real Property, the Personal Property or any other property conveyed or encumbered hereby, together with all right, title and interest in and to each and every such policy, and all proceeds thereof, including any premiums paid and rights to returned premiums.

(f) **Litigation Awards.** All judgments, damages, settlements, awards, payments and compensation, including all interest thereon, that may be made or due to the Mortgagors or any subsequent owner of any of the Real Property, the Personal Property or any other property conveyed or encumbered hereby, as a result of the exercise of the right of eminent domain or condemnation, the alteration of the grade of any street or any other injury to or diminution or decrease in value of the Real Property, the Personal Property, or any other such property.

(g) **General Intangibles and Agreements.** (1) All general intangibles relating to the development or use of the Real Property, the Personal Property or any other property conveyed or encumbered hereby, or the management and operation of any business of the Company thereon, including all patents, patent applications, trade names, trademarks, trademark applications, knowledge and process, licensing arrangements, blueprints, technical specifications, manuals and other trade secrets; (2) the good will of any business conducted or operated on the Real Property, all governmental licenses and permits relating to the construction, renovation or operation thereof, all names under or by which the same may at any time be operated or known and all rights to carry on business under any such names or any variant thereof; and (3) all contracts and agreements (including construction, renovation, maintenance, engineering, architectural, leasing, management, operating and concession agreements) affecting the Real Property, the Personal Property or any other property conveyed or encumbered by this Agreement, or used or useful in connection therewith, whether now or hereafter entered into.

(h) **Supplemental Documents.** All changes, additions, supplements, modifications, amendments, extensions, renewals, revisions and guaranties to, of or for any agreement or instrument included in the foregoing.

(i) **Special Funds Under Indenture.** Money and investments from time to time on deposit in, or forming a part of, the funds established under the Indenture, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein.

(j) Proceeds. All proceeds of any of the foregoing.

SUBJECT, HOWEVER, to Permitted Encumbrances.

TO HAVE AND TO HOLD the Property, together with all the rights, privileges and appurtenances thereunto belonging, unto the Bank, its successors and assigns forever.

ARTICLE 3

Representations and Warranties

The Company represents and warrants to the Bank that:

SECTION 3.1 Valid Title, Debt, etc. (a) The Company is lawfully seized in fee simple of the Real Property and is the lawful owner of, and has good title to, the remainder of the Property, and the Company has good right to mortgage, assign and grant a security interest in the Property as aforesaid; (b) the Property is free of all Liens other than Permitted Encumbrances; (c) the Company has full power to encumber, assign and convey the Property as provided herein; (d) this Agreement is and will remain a valid and enforceable first priority mortgage lien on, and security interest in, the Property, subject only to Permitted Encumbrances; and (e) the Company shall forever warrant and defend the title to the Property unto the Bank against the lawful claims of all persons whomsoever, except those claiming under Permitted Encumbrances.

SECTION 3.2 Hazardous Substances. (a) To the best knowledge of the Company, there are not now, nor have there ever been, any Hazardous Substances installed, used, generated, manufactured, treated, handled, refined, produced, processed, transported, stored or disposed of, or otherwise present in, on or under the Property, and there are no Hazardous Substances present on real property adjoining or in the vicinity of the Property that could migrate, to, through or under the Property; (b) to the best knowledge of the Company, no activity has been nor is now being undertaken with respect to the Property that would cause a violation of, or support a claim under any Hazardous Substance Law; (c) to the best knowledge of the Company, no Hazardous Substance has been nor is now present in, on or under the Property, and no activity has been nor is now being undertaken with respect to the Property, that would cause (1) the Property to become a hazardous waste treatment, storage or disposal facility within the meaning of any Hazardous Substance Law, (2) a release or threatened release of Hazardous Substances from the Property within the meaning of any Hazardous Substance Law, (3) the discharge of Hazardous Substance into any watercourse, body or surface or subsurface water or wetland, or into the atmosphere, that would be prohibited by or require a permit under any Hazardous Substance Law, or (4) the Property otherwise to be subject to special remediation, regulation, restriction or treatment under any Hazardous Substance Law; (d) to the best knowledge of the Company, no underground storage tanks or underground deposits of Hazardous Substances have ever been located in, on or under the Property and subsequently removed or filled; (e) to the best knowledge of the Company, no investigation, inquiry, hearing, action, administrative order, litigation or settlement with respect to any Hazardous Substance or

Hazardous Substance Law is threatened or in existence with respect to the Property; (f) no notice has been served on the Company from any person claiming any violation of any Hazardous Substance Law with respect to the Property, or asserting any claim under any Hazardous Substance Law with respect to the Property, or requiring compliance with any Hazardous Substance Law with respect to the Property, or demanding payment or contribution for environmental damage or injury to any person, property or natural resources as the result of the presence of any Hazardous Substance in, on, under or from the Property or any violation of any Hazardous Substance Law with respect to the Property; and (g) the intended use of the Property will not result in any environmental activity that would cause a violation of, or that would support a claim under any Hazardous Substance Law.

ARTICLE 4

Covenants and Agreements of Company

SECTION 4.1 Payment of Impositions. Unless the Company is making monthly deposits pursuant to Section 4.6, the Company shall pay or cause to be paid all Impositions and at the Bank's request shall furnish evidence of the payment thereof at least 10 business days before the Impositions are due. The Company may, at the Company's own expense, in good faith contest any such Impositions and, in the event of any such contest, may permit the Impositions so contested to remain unpaid during the period of such contest and any appeal therefrom, provided that during such period enforcement of the contested items shall be effectively stayed. If, subsequent to the date hereof, any Governmental Requirement should become effective that in any manner changes or modifies the Governmental Requirements in effect on the date hereof governing the taxation of mortgages, deeds of trust, deeds to secure debt, assignments of rents and leases or security agreements, or the debts or other obligations secured thereby, or the manner of collecting such taxes, so as to adversely affect the Bank or the Company, in the opinion of the Bank, the Company shall pay any such tax on or before the due date thereof and shall reimburse the Bank for any out-of-pocket loss or expense suffered by the Bank as a result of such Governmental Requirement. If the Company fails to make such prompt payment or reimbursement, or if, in the opinion of the Bank, any such Governmental Requirement prohibits the Company from making such payment or reimbursement or would penalize the Bank if the Company makes such payment or reimbursement or if, in the opinion of the Bank, the making of such payment or reimbursement might result in the imposition of interest beyond the maximum amount permitted by applicable Governmental Requirement, then the entire balance of the Obligations and all interest accrued thereon shall, at the option of the Bank, become immediately due and payable.

SECTION 4.2 Insurance. The Company shall keep or cause to be kept the Property insured against loss or damage by flood (if the Property is located in a flood-prone area) fire, windstorm, extended coverage perils, vandalism, malicious mischief and such other hazards, casualties and other contingencies as from time to time may be required by the Bank, all in such manner and with such companies and in such amounts as the Bank may approve. All such policies shall be subject to the Bank's approval and shall name the Bank as a named insured and provide that any losses payable thereunder shall (pursuant to loss payable clauses, in form and content acceptable to the Bank, to be attached to each policy) be payable to the Bank, subject

to the rights of the holders of any prior mortgages. The Company shall cause duplicate originals of such insurance policies (or, at the Bank's option, certificates satisfactory to the Bank) to be deposited with the Bank. If requested by the Bank, the Company shall furnish to the Bank evidence of the payment of the premiums for such policies. The Company shall cause each insurer under each of the policies to agree (either by endorsement upon such policy or by letter addressed to the Bank) to give the Bank at least 10 business days' prior written notice of the cancellation of such policies in whole or in part or the lapse of any coverage thereunder. The Mortgagors shall not take any action or fail to take any action that would result in the invalidation of any insurance policy required hereunder. In case of a sale pursuant to the foreclosure provisions hereof, or any conveyance of all or any part of the Property in extinguishment of the Obligations, complete title to all insurance policies held by the Bank and the unearned premiums with respect thereto shall pass to and vest in the purchaser or grantee of the Property.

SECTION 4.3 Damage and Destruction.

(a) **Company's Responsibilities.** In the event of any damage to or loss or destruction of the Property, the Company shall (1) promptly notify the Bank of such event and take such steps as shall be necessary to preserve any undamaged portion of the Property, and (2) unless otherwise instructed by the Bank, promptly, regardless whether any insurance proceeds are sufficient for the purpose or (unless such insurance proceeds are otherwise applied by the Bank as provided herein), commence and diligently pursue to completion the restoration, replacement or rebuilding of the Property as nearly as possible to the value, condition and character thereof immediately prior to such damage, loss or destruction and in accordance with plans and specifications approved, and with other provisions for the preservation of the security hereunder established, by the Bank.

(b) **Bank's Rights; Application of Proceeds.** If any portion of the Property is so damaged, destroyed or lost, and such damage, destruction or loss is covered, in whole or in part, by insurance described in Section 4.2, then (1) the Bank may, but shall not be obligated to, make proof of loss, and may settle, adjust or compromise any claims thereunder, (2) each insurance company concerned is hereby authorized and directed to make payment therefor directly to the Bank, and (3) the Bank shall have the right to apply the insurance proceeds, first, to reimburse the Bank for all reasonable costs and expenses, including all attorneys' fees and disbursements, incurred in connection with the collection of such proceeds, and second, the remainder of such proceeds shall be applied, at the Bank's option, (A) to the redemption of the Series 1996 Bonds and/or to payment of all or any part of the Obligations in the order and manner determined by the Bank in its sole discretion (provided that the remainder of the Obligations shall continue in full force and effect and the Obligors who are obligated therefor shall not be excused from the payment thereof), (B) to the cure of any then-existing Event of Default, or (C) to the repair, restoration, or replacement, in whole or in part, of the Property. The Company expressly assumes all risk of loss, including a decrease in the use, enjoyment or value, of the Property from any casualty whatsoever, whether or not insurable or insured against. The Bank shall not be liable for any failure to collect, or exercise any due diligence in the collection of, any insurance proceeds.

(c) **Availability of Proceeds for Restoration.** If the amount of any such insurance proceeds for damage, destruction or loss does not exceed \$50,000 and no Event of Default then exists, or if the Bank in its sole discretion elects to permit any such proceeds in excess of \$50,000 to be used by the Company for the restoration of the Improvements, then the Bank shall pay such amount to the Company for the repair of the damaged Improvements or for the erection of new Improvements in their place, to the extent necessary to restore the Property as nearly as possible to the condition, character and value thereof existing immediately prior to such damage or destruction, but only upon satisfaction of each of the following conditions:

(1) The Company shall furnish evidence satisfactory to the Bank that (A) the restoration can be completed within one year; and (B) the amount of business interruption insurance to be paid during the restoration period shall equal or exceed the loss in rental income from the Property during the period required for restoration;

(2) If the estimated costs of restoration (as reasonably estimated by an architect approved by the Bank) shall exceed the insurance proceeds available, the Company shall either deposit with the Bank the amount of such deficit or furnish a satisfactory bond of completion or other evidence satisfactory to the Bank of the Company's ability to meet such excess costs;

(3) The Bank shall be furnished, for its approval (in its sole discretion) (A) with an estimate for its approval of the cost of restoration of the Improvements, accompanied by the architect's certification as to such costs and appropriate final plans and specifications for such restoration; and (B) with evidence that all Improvements to be so restored and their contemplated use will, when completed, substantially comply with all zoning, environmental, building laws, ordinances and regulations and other Governmental Requirements and with the requirements of the Credit Documents;

(4) Disbursement of the proceeds during the course of reconstruction shall be upon the architect's certification as to the cost of materials furnished and work done and evidence that such work and materials are free and clear of Liens; no payment made prior to the final completion of the work shall exceed ninety percent (90%) of the value of the work performed or materials furnished and incorporated into the structure from time to time, and at all times the undisbursed balance of said proceeds, together with all amounts deposited, bonded or otherwise funded pursuant to this Section 4.3(c), shall at least be sufficient to pay for the cost of completion of the work, free and clear of Liens;

(5) Final payment shall be made upon receipt by the Bank of a certification by the architect as to the completion substantially in accordance with the approved plans and specifications, the issuance of a permanent certificate of occupancy (or local equivalent) and the expiration of the period provided under the laws of Alabama for the filing of mechanic's and materialmen's liens or receipt by the Bank of proof, to the reasonable satisfaction of the Bank, of final payment in full of all mechanics, materialmen or any other persons who have provided services in connection with the restoration; and

(6) Disbursement shall otherwise be made substantially in accordance with the Bank's usual procedures for commercial construction loans.

If any of the foregoing conditions is not satisfied, then all insurance proceeds may be retained and applied by the Bank toward payment of all or part of the Obligations in such order as the Bank may determine in its sole discretion. If all or a portion of the insurance proceeds are paid to the Company, the Bank shall not be obligated to see to the proper application of any amount paid to the Company.

SECTION 4.4 Condemnation.

(a) **Company's Responsibilities; Proceedings.** The Company, immediately upon obtaining knowledge thereof, shall notify the Bank of any pending or threatened proceedings for the condemnation of any of the Property or of the exercise of any right of eminent domain with respect thereto, or of any other pending or threatened proceedings arising out of injury or damage to any of the Property. The Bank may participate in any such proceedings, and the Company from time to time shall execute and deliver to the Bank all instruments requested by the Bank to permit such participation. The Company shall, at the Company's expense, diligently prosecute any such proceedings, deliver to the Bank copies of all papers served in connection therewith and consult and cooperate with the Bank, its attorneys and agents, in carrying on and defending any such proceedings. No settlement of any such proceedings shall be made by the Mortgagors without the Bank's consent, not to be unreasonably withheld.

(b) **Bank's Rights to Proceeds.** All proceeds of condemnation awards or proceeds of sale in lieu of condemnation, and all judgments, decrees and awards for injury or damage to the Property shall be paid to the Bank. The Mortgagors authorize the Bank to collect and receive the same, to give receipts and acquittances therefor, and to appeal from any such judgment, decree or award. The Bank shall not be liable for any failure to collect, or exercise diligence in the collection of, any of the same.

(c) **Application of Proceeds.** The Bank shall have the right to apply any proceeds, judgments, decrees or awards referred to in Section 4.4(b), first, to reimburse the Bank for all reasonable costs and expenses, including attorneys' fees and disbursements, incurred in connection with the proceeding in question or the collection of such amounts, and second, the remainder thereof in the same manner as provided in Section 4.3(b) with respect to insurance proceeds. Notwithstanding the provisions of the first sentence of this Section 4.4(c), if (1) the amount of such proceeds does not exceed \$50,000 and no Event of Default exists, (2) the remaining Property may be restored to an economically viable property having a value of not less than its value prior to such taking and (3) the income, revenues and profits from the Property are not materially decreased by reason of such condemnation, then any such condemnation proceeds or award received by the Bank shall be paid over wholly or in part to the Company for the restoration of the Improvements located on the Property in the manner provided in Section 4.3(c), provided that the conditions set forth in Section 4.3(c) are satisfied.

SECTION 4.5 Liens and Liabilities.

(a) **Discharge of Liens.** The Company shall pay, bond or otherwise discharge, from time to time when the same shall become due, all lawful claims and demands of mechanics, materialmen, laborers and others that, if unpaid, might result in, or permit the creation of, a Lien on any of the Property, and in general, the Company shall do, or cause to be done, at the Company's sole cost and expense, everything necessary to fully preserve the Lien and priority of this Agreement.

(b) **Creation of Liens.** The Mortgagors shall not, without the Bank's consent, create, place or permit to be created or placed, or allow to remain, any voluntary or involuntary Lien on any of the Property, whether prior to, on a parity with or subordinate to the Lien of this Agreement, other than Permitted Encumbrances. If any such Lien is created or placed on the Property without the Bank's consent, the Company shall cause the same to be discharged, released or bonded off to the Bank's satisfaction within 10 days after the filing thereof.

(c) **No Consent.** Nothing in the Credit Documents shall be deemed or construed as constituting the consent or request by the Bank, express or implied, to any contractor, subcontractor, laborer, mechanic or materialman for the performance of any labor or the furnishing of any material for any improvement, construction, renovation, alteration or repair of the Property. The Company agrees that the Bank does not stand in any fiduciary relationship to the Company by reason of the transactions contemplated by the Credit Documents.

SECTION 4.6 Tax and Insurance Deposits. At any time during the term of this Agreement if an Event of Default exists, upon demand by the Bank, the Company shall deposit with the Bank a sum that bears the same relation to the annual insurance premiums for all insurance required by the terms hereof and Impositions assessed against the Property for the insurance period or tax year then in effect, as the case may be, as the number of months elapsed as of the date of such demand since the last preceding installment of said premiums or Impositions shall have become due and payable bears to twelve (12). For the purpose of this computation, the month in which the last preceding installment of premiums or Impositions became due and payable and the month in which such demand is given shall be included and deemed to have elapsed. On the first day of the month next succeeding the month in which such demand is given, and thereafter on the first day of each and every month during the term of this Agreement, the Company shall deposit with the Bank a sum equal to one-twelfth of such insurance premiums and such Impositions for the then-current annual insurance period and tax year, so that as each installment of such premiums and Impositions shall become due and payable, the Company shall have deposited with the Bank a sum sufficient to pay the same. All such deposits shall be received and held by the Bank, and shall be applied to the payment of each installment of such premiums and Impositions as they shall become due and payable. The Bank shall, upon demand, furnish evidence to the Company of the making of each such payment. If the amount of such premiums and Impositions has not been definitely ascertained at the time when any such monthly deposits are required to be made, the Company shall make such deposits based upon the amount of such premiums and Impositions for the preceding year, subject to adjustment as and when the amount of such premiums and Impositions are ascertained. If at the time when any installment of such premiums and such Impositions becomes due and

payable the Company shall not have deposited a sum sufficient to pay the same, the Company shall, within 10 days after demand, deposit any deficiency with the Bank. Upon the termination of this Agreement in accordance with Section 6.19, any remaining amount on deposit with the Bank shall be repaid to the Company without interest. The Company shall deliver to the Bank all insurance and tax bills promptly following receipt during any period when such monthly deposits are to be made with the Bank. If the Obligations are accelerated as provided in Section 5.3(a), all funds so deposited may, at the Bank's option, be applied to the Obligations in any order determined by the Bank or to cure any existing Event of Default or to the payment of insurance premiums and Impositions as provided in this Section 4.6.

SECTION 4.7 Operations; Utilities; Waste, Demolition, Alteration or Replacement.

The Company shall (a) continuously operate the Company's business (if any) on the Improvements in accordance with sound business practices; (b) not engage in any activity that would diminish the value of the Property or decrease the income from the Property; (c) pay or cause to be paid all bills for utilities and other materials and services used on or in connection with the Property; (d) cause the Property and every part thereof to be maintained and kept in good and safe repair, working order and condition; (e) not commit or permit waste thereon; (f) not remove, demolish or alter the design or structural character of any Improvements; and (g) make all necessary and proper repairs, renewals, additions and restorations thereto so that the value and efficient use thereof shall be fully preserved and maintained. The Company shall not remove from the Real Property any of the fixtures or Personal Property included in the Property unless the same are immediately replaced with like property of at least equal value and utility.

SECTION 4.8 Sale, Lease or Transfer, etc.

(a) **Real Property.** Except for Permitted Encumbrances, the Mortgagors shall not (1) sell, assign, transfer, convey, lease with an option to purchase, exchange or otherwise dispose of, any of the Real Property or any interest therein; (2) contract with any person for any of the foregoing; or (3) subject any of the Real Property or any interest therein to any additional Lien, either voluntarily or involuntarily.

(b) **Equity Interests in Company.** The Company shall not be dissolved, liquidated or terminated, whether by operation of law or otherwise. Any sale, pledge, encumbrance, contract to sell, assignment or other transfer of any equity interest in the Company, or any other transaction whereby the legal or beneficial ownership of the Company is changed, including the sale of additional equity interests, the liquidation or dissolution of the Company, the merger or consolidation of the Company with any other person, or the participation by the Company in a statutory share exchange with any other person, shall be treated as a transfer of the Real Property for purposes of this Section 4.8.

(c) **Bank's Rights.** The occurrence of any of the events described in Section 4.8(a) or 4.8(b) will constitute an Event of Default under this Agreement, and the Bank may, in its sole discretion, exercise any of its rights and remedies on default under Section 5.3 or require the payment after the date of such occurrence of a higher rate of interest on the unpaid principal portion of the Obligations as a condition to not exercising such rights and remedies, whether

such rights and remedies be exercised by the Bank to obtain a higher rate of interest on the Obligations or to protect the security afforded by this Agreement.

(d) **Bank's Reliance.** The Company acknowledges the Bank's express reliance on this Section 4.8 in extending Credit under the Credit Documents based on the security of this Agreement.

SECTION 4.9 Use, Governmental Compliance, etc. The Company shall (a) use the Property solely for the uses contemplated by the Credit Documents or otherwise permitted in writing by the Bank; (b) maintain all material certificates, licenses, authorizations, registrations, permits and other approvals of Governmental Authorities necessary for the use of the Property and the conduct of any business or activity on the Real Property, including all required zoning, building, land use, environmental, occupancy, fire and utility approvals; (c) comply with all Governmental Requirements now or hereafter affecting the Property or any business or activity conducted on the Real Property; and (d) not permit any act to be done on the Property in violation of any Governmental Requirements or that constitutes a public or private nuisance, or that makes void or cancelable, or increases the premium of, any insurance then in force with respect thereto.

SECTION 4.10 Zoning; Title Matters. The Mortgagors shall not: (a) initiate or support any zoning reclassification of the Property or seek any variance under existing zoning laws or use or permit the use of the Property in a manner that would result in such use becoming a non-conforming use under, or otherwise violate, applicable zoning laws; (b) modify, amend or supplement any Permitted Encumbrances in any manner that would materially increase the obligations or decrease the rights of the Company or adversely affect the rights of the Bank under the Credit Documents; (c) subject the Property to any restrictive covenants or encumbrances (other than the Permitted Encumbrances), execute or file any subdivision plat affecting the Property or consent to the annexation of the Property to any municipality; or (d) permit the Property to be used by the public or any person in any manner that might make possible a claim of adverse possession or of any implied dedication easement or easement by prescription.

SECTION 4.11 Hazardous Substance Compliance. The Company shall: (a) not permit any Hazardous Substances to be installed, used, generated, manufactured, treated, handled, refined, produced, processed, transported, stored or disposed of, or otherwise present in, on or under the Property that would cause a violation of, or that would support a claim under any Hazardous Substance Law; (b) not permit any activity to be undertaken with respect to the Property that would cause a violation of, or support a claim under any Hazardous Substance Law; (c) not permit any Hazardous Substance to be present in, on or under the Property, and nor any activity to be undertaken with respect to the Property, that would cause (1) the Property to become a hazardous waste treatment, storage or disposal facility within the meaning of any Hazardous Substance Law, (2) a release or threatened release of Hazardous Substance from the Property within the meaning of any Hazardous Substance Law, (3) the discharge of Hazardous Substance into any watercourse, body or surface or subsurface water or wetland, or into the atmosphere, that would be prohibited by or require a permit under any Hazardous Substance Law, or (4) the Property otherwise to be subject to special remediation, regulation, restriction

or treatment under any Hazardous Substance Law; (d) not permit any underground storage tanks or underground deposits of Hazardous Substances to be located on the Property; (e) not permit the Property to be used in any manner that would cause a violation of, or that would support a claim under any Hazardous Substance Law; (f) permit the Bank from time to time to inspect the Property and observe the operations thereon and to perform tests (including soil and ground water tests) for Hazardous Substances on the Property; (g) undertake all preventive, investigatory and remedial action (including emergency response, removal, clean up, containment and other remedial action) that is (1) required by any applicable Hazardous Substance Law or (2) necessary to prevent or minimize any property damage (including damage to any of the Property), personal injury or harm to the environment, or the threat of any such damage or injury, by releases of or exposure to Hazardous Substances in connection with the Property or the operations on the Property; and (h) deliver to the Bank, at the Bank's request, copies of any and all documents in the Company's possession or to which the Company has access relating to Hazardous Substances or Hazardous Substance Laws and the Property, and the operations on the Property, including laboratory analyses, site assessments or studies, environmental audit reports and other environmental studies and reports. If the Bank at any time reasonably believes that the Company is not complying with all applicable Hazardous Substance Laws applicable to the Property or the requirements of this Agreement regarding the same, or that a material spill, release or disposal of Hazardous Substances has occurred on or under the Property, or if any other Event of Default exists, the Bank may require the Company to furnish to the Bank an environmental audit or site assessment reasonably satisfactory to the Bank with respect to the matters of concern to the Bank. Such audit or assessment shall be performed at the Company's expense by a qualified consultant approved by the Bank.

SECTION 4.12 Required Hazardous Substance Notices. The Company shall immediately advise the Bank in writing of any of the following of which the Company shall become aware: (a) any violation of any Hazardous Substance Law with respect to the Property or the operations at the Property; (b) any spill, release, discharge, disposal of any Hazardous Substances, or imminent threat thereof, at the Property, in connection with the operations at the Property, or at any property adjoining or in the vicinity of the Property, that could result in the violation of any Hazardous Substance Law with respect to the Property or such operations; (c) any action instituted or threatened by any Governmental Authority under any Hazardous Substance Law affecting the Property or the operations thereon, including any notice of inspection, abatement or noncompliance; (d) all claims made or threatened by any person against the Company, the Bank or the Property relating to damage, contribution, cost recovery, compensation, loss or injury resulting from the presence of any Hazardous Substance in, on, under or from the Property or any violation of any Hazardous Substance Law with respect to the Property or the operations at the Property; (e) the Company's discovery of any occurrence or condition on the Property or on any real property adjoining or in the vicinity of the Property that could (1) result in the violation of any Hazardous Substance Law, (2) support any claim under any Hazardous Substance Law, or (3) subject the Company, the Bank or the Property to any restrictions on ownership, occupancy, transferability or use of the Property under any Hazardous Substance Law. The Company shall immediately deliver to the Bank any documentation or records that the Bank may reasonably request in connection with any such notices, inquiries, and communications and shall advise the Bank of any subsequent developments.

SECTION 4.13 Maintenance of Lien Priority. The Company shall take all steps necessary to preserve and protect the perfection, validity and priority of the Liens on the Property purported to be created by this Agreement. The Mortgagors shall execute, acknowledge, deliver, file and record such additional instruments as the Bank may deem necessary in order to perfect, preserve, protect, continue, extend or maintain the Liens created hereby as first priority Liens on the Property, subject to Permitted Encumbrances, or to subject after-acquired property or proceeds to such Liens. If the Liens, validity or priority of this Agreement, or if title to any of the rights of the Company or the Bank in or to the Property shall be endangered or questioned, or shall be attacked directly or indirectly, or if any action or proceeding is instituted against the Company or the Bank with respect thereto, the Company shall promptly notify the Bank thereof and shall diligently endeavor to cure any defect that may be claimed, and shall take all necessary and proper steps for the defense of such action or proceeding, including the employment of counsel, the prosecution or defense of the litigation, and subject to the Bank's approval, the compromise, release or discharge of any and all adverse claims other than Permitted Encumbrances. The Bank (whether or not named as a party to such actions or proceedings) is authorized and empowered (but shall not be obligated) to take such additional steps as it may reasonably deem necessary or proper for the defense of any such action or proceeding or the protection of the Liens, validity or priority of this Agreement, including the employment of counsel, the prosecution or defense of litigation, the compromise, release or discharge of adverse claims, and the removal of prior Liens. The Company shall, on demand, reimburse the Bank for all expenses (including attorneys' fees and disbursements) reasonably incurred by the Bank in connection with any of the foregoing matters.

SECTION 4.14 Permitted Encumbrances. The Company shall not permit any default or violation to occur with respect to any agreement, covenant or restriction included in Permitted Encumbrances.

ARTICLE 5

Defeasance, Default and Remedies

SECTION 5.1 Defeasance. This Agreement is made upon the condition that if (a) all of the Obligations (as defined in Section 1.2(u), including all future advances and other future indebtednesses, obligations and liabilities included therein) are paid in full and the Letter of Credit is no longer in effect, and (b) the Company reimburses the Bank for any amounts the Bank has paid in respect of Liens, Impositions, prior mortgages, insurance premiums, repairing or maintaining the Property, performing the Company's obligations under any lease related to the Real Property, performing the Company's obligations under Section 4.11 with respect to environmental matters, and any other advancements hereunder, and interest thereon, and (c) the Mortgagors fulfill all of the Mortgagors' other obligations under this Agreement, and (d) the Bank has no obligation to extend any further Credit to or for the account of the Company and there is in existence no contingent liability of the Company that is secured by this Agreement, and (e) any other conditions set forth in Section 6.19 are fulfilled, this conveyance shall be null and void upon the filing by the Bank of the written instrument of termination described in Section 6.19.

SECTION 5.2 Events of Default. The occurrence of any of the following events shall constitute an event of default (an "Event of Default") under this Agreement (whatever the reason for such event and whether or not it shall be voluntary or involuntary or be effected by operation of law or pursuant to any Governmental Requirement):

(a) any representation or warranty made in this Agreement or in any of the other Credit Documents shall prove to be false or misleading in any material respect as of the time made; or

(b) any report, certificate, financial statement or other instrument furnished in connection with the Credit, this Agreement or any of the other Credit Documents, shall prove to be false or misleading in any material respect as of the time furnished; or

(c) default shall be made in the payment when due of any of the Obligations; or

(d) default shall be made in the due observance or performance of any covenant, condition or agreement on the part of the Mortgagors to be observed or performed pursuant to the terms of this Agreement (other than any covenant, condition or agreement, default in the observance or performance of which is elsewhere in this Section 5.2 specifically dealt with) and such default shall continue unremedied until the first to occur of (1) the date that is 30 days after written notice by the Bank to the Mortgagors; or (2) the date that is 30 days after the Company first obtains knowledge thereof; or

(e) any default or event of default, as therein defined, shall occur under any of the other Credit Documents (after giving effect to any applicable notice, grace or cure period specified therein); or

(f) (1) default shall be made with respect to any indebtedness (other than the Obligations) of any Obligor, if the effect of such default is to accelerate the maturity of such indebtedness or to permit the holder thereof to cause such indebtedness to become due prior to its stated maturity, or (2) any such indebtedness shall not be paid when due (after giving effect to any applicable notice, grace or cure periods); or

(g) any Obligor shall (1) apply for or consent to the appointment of a receiver, trustee, liquidator or other custodian of such Obligor or any of such Obligor's properties or assets (including the Property), (2) fail or admit in writing such Obligor's inability to pay such Obligor's debts generally as they become due, (3) make a general assignment for the benefit of creditors, (4) suffer or permit an order for relief to be entered against such Obligor in any proceeding under the federal Bankruptcy Code, or (5) file a voluntary petition in bankruptcy, or a petition or an answer seeking an arrangement with creditors or to take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation law or statute, or an answer admitting the material allegations of a petition filed against such Obligor in any proceeding under any such law or statute, or if partnership action shall be taken by any Obligor for the purpose of effecting any of the foregoing; or

(h) a petition shall be filed, without the application, approval or consent of any Obligor in any court of competent jurisdiction, seeking bankruptcy, reorganization, rearrangement, dissolution or liquidation of such Obligor or of all or a substantial part of the properties or assets of such Obligor, or seeking any other relief under any law or statute of the type referred to in Section 5.2(g)(5) against such Obligor, or the appointment of a receiver, trustee, liquidator or other custodian of such Obligor or of all or a substantial part of the properties or assets of such Obligor, and such petition shall not have been stayed or dismissed within 30 days after the filing thereof; or

(i) any Obligor shall die, if an individual, be dissolved or liquidated, if an entity, or become insolvent or suspend business; or

(j) any writ of execution, attachment or garnishment shall be issued against the assets of any Obligor and such writ of execution, attachment or garnishment shall not be dismissed, discharged or quashed within 30 days of issuance; or

(k) any final judgment for the payment of money shall be rendered against any Obligor and the same shall remain undischarged for a period of 30 days during which execution shall not be effectively stayed; or

(l) any guarantor of any of the Obligations shall default in the due observance or performance of any covenant, condition or agreement on such guarantor's part to be observed or performed under such guarantor's guaranty agreement (after giving effect to any applicable notice, grace or cure period specified therein) or shall terminate or attempt to terminate such guarantor's guaranty agreement.

SECTION 5.3 Rights and Remedies of Bank Upon Default.

(a) **Acceleration of Obligations.** If an Event of Default exists under Section 5.2(g) or 5.2(h), all of the Obligations shall automatically become immediately due and payable. If any other Event of Default exists, the Bank shall have the right without further notice to the Mortgagors (except any such notice as may be specifically required under the other Credit Documents) to declare all of the Obligations immediately due and payable. The Bank also shall have the right, but shall not be required, to give notice to the Trustee of such default and to direct that the Bonds be declared due and payable pursuant to Section 12.2 of the Indenture or that the Bonds be purchased pursuant to Section 4.5(a) of the Indenture.

(b) **Possession and Operation of Property.** If an Event of Default exists, in addition to all other rights herein conferred on the Bank, the Bank (or any person designated by the Bank) may, but will not be obligated to, (1) enter upon the Real Property and take possession of any or all of the Property without being guilty of trespass or conversion, exclude the Mortgagors therefrom, and hold, use, administer, manage and operate the same to the extent that the Mortgagors could do so, without any liability to the Mortgagors resulting therefrom; (2) collect, receive and receipt for all proceeds accruing from the operation and management of the Property; (3) make repairs and purchase needed additional property; (4) insure or reinsure the Property; (5) maintain and restore the Property; (6) prepare the Property for resale, lease

or other disposition; (7) have furnished to the Property utilities and other materials and services used on or in connection with the Property; and (8) exercise every power, right and privilege of the Company with respect to the Property.

(c) **Judicial Proceedings: Right to Receiver.** If an Event of Default exists, the Bank, in lieu of or in addition to exercising the power of sale hereinafter given, may proceed by suit to foreclose its Lien on the Property, to sue the Company for damages on account of said default, for specific performance of any provision contained herein, or to enforce any other appropriate legal or equitable right or remedy. The Bank shall be entitled, as a matter of right (upon bill filed or other proper legal proceedings being commenced for the foreclosure of this Agreement, to the extent required by law), to the appointment by any competent court or tribunal, without notice to the Mortgagors or any other party, of a receiver of the rents, issues, profits and revenues of the Property, with power to lease and control the Property and with such other powers as may be deemed necessary.

(d) **Power of Sale.** If an Event of Default exists, this Agreement shall be subject to foreclosure and may be foreclosed as now provided by law in case of past-due mortgages, and the Bank shall be authorized, at its option, whether or not possession of the Property is taken, to sell the Property (or such part or parts thereof as the Bank may from time to time elect to sell) under the power of sale which is hereby given to the Bank, at public outcry, to the highest bidder for cash, at the front or main door of the courthouse of the county in which the Land to be sold, or a substantial and material part thereof, is located, after first giving notice by publication once a week for three successive weeks of the time, place and terms of such sale, together with a description of the Property to be sold, by publication in some newspaper published in the county or counties in which the Land to be sold is located. If there is Land to be sold in more than one county, publication shall be made in all counties where the Land to be sold is located, but if no newspaper is published in any such county, the notice shall be published in a newspaper published in an adjoining county for three successive weeks. The sale shall be held between the hours of 11:00 a.m. and 4:00 p.m. on the day designated for the exercise of the power of sale hereunder. The Bank may bid at any sale held under this Agreement and may purchase the Property, or any part thereof, if the highest bidder therefor. The purchaser at any such sale shall be under no obligation to see to the proper application of the purchase money. At any sale all or any part of the Property, real, personal or mixed, may be offered for sale in parcels or en masse for one total price, and the proceeds of any such sale en masse shall be accounted for in one account without distinction between the items included therein and without assigning to them any proportion of such proceeds, the Mortgagors hereby waiving the application of any doctrine of marshalling or like proceeding. In case the Bank, in the exercise of the power of sale herein given, elects to sell the Property in parts or parcels, sales thereof may be held from time to time, and the power of sale granted herein shall not be fully exercised until all of the Property not previously sold shall have been sold or all the Obligations shall have been paid in full and this Agreement shall have been terminated as provided herein.

(e) **Personal Property and Fixtures.** If an Event of Default exists, the Bank shall have with respect to the UCC Property all rights and remedies of a secured party under the Alabama Uniform Commercial Code, including the right to sell it at public or private sale or

otherwise dispose of, lease or use it, without regard to preservation of the UCC Property or its value and without the necessity of a court order. At the Bank's request, the Company shall assemble the UCC Property and make it available to the Bank at any place designated by the Bank. To the extent permitted by law, the Mortgagors expressly waive notice and any other formalities prescribed by law with respect to any sale or other disposition of the UCC Property or exercise of any other right or remedy upon default. The Mortgagors agree that the Bank may sell or dispose of both the Real Property and the UCC Property in accordance with the rights and remedies granted under this Agreement with respect to Real Property.

(f) **Rents and Leases.** If an Event of Default exists, the Bank, at its option, shall have the right, power and authority to terminate the license granted to the Company in Section 2.1(d) to collect the rents, profits, issues and revenues of the Real Property, whether paid or accruing before or after the filing of any petition by or against the Company under the federal Bankruptcy Code, and, without taking possession, in the Bank's own name to demand, collect, receive, sue for, attach and levy all of such rents, profits, issues and revenues, to give proper receipts, releases and acquittances therefor, and to apply the proceeds thereof as set forth in Section 5.3(h).

(g) **Foreclosure Deeds.** To the extent permitted by applicable law, the Mortgagors hereby authorize and empower the Bank or the auctioneer at any foreclosure sale had hereunder, for and in the name of the Mortgagors, to execute and deliver to the purchaser or purchasers of any of the Property sold at foreclosure good and sufficient deeds of conveyance or bills of sale thereto.

(h) **Order of Application of Proceeds.** All payments received by the Bank as proceeds of any of the Property, as well as any and all amounts realized by the Bank in connection with the enforcement of any right or remedy under this Agreement, shall be applied by the Bank as follows: (1) to the payment of all expenses incident to the exercise of any remedies under this Agreement, including attorneys' fees and disbursements as provided in the Credit Documents, appraisal fees, environmental site assessment fees, title search fees and foreclosure notice costs, (2) to the payment in full of any of the Obligations that are then due and payable (including principal, accrued interest and all other sums secured hereby) in such order as the Bank may elect in its sole discretion, (3) to a cash collateral reserve fund to be held by the Bank in an amount equal to, and as security for, any of the Obligations that are not then due and payable including amounts that may thereafter be drawn under the Letter of Credit, and (4) the remainder, if any, shall be paid to the Company or such other persons as may be entitled thereto by law, after deducting therefrom the cost of ascertaining their identity.

(i) **Multiple Sales.** If an Event of Default exists, the Bank shall have the option to proceed with foreclosure, either through the courts or by power of sale as provided for in this Agreement, but without declaring the whole Obligations due. Any such sale may be made subject to the unmatured part of the Obligations, and such sale, if so made, shall not affect the unmatured part of the Obligations, but as to such unmatured part of the Obligations this Agreement shall remain in full force and effect as though no sale had been made under this Section 5.3(i). Several sales may be made hereunder without exhausting the right of sale for any remaining part of the Obligations, whether then matured or unmatured, the purpose hereof

being to provide for a foreclosure and sale of the Property for any matured part of the Obligations without exhausting the power of foreclosure and the power to sell the Property for any other part of the Obligations, whether matured at the time or subsequently maturing.

(j) **Waiver of Certain Laws.** The Mortgagors waive, to the fullest extent permitted by law, the benefit of all laws now existing or hereafter enacted providing for (1) any appraisement before sale of any portion of the Property (commonly known as appraisement laws), or (2) any extension of time for the enforcement of the collection of the Obligations or any creation or extension of a period of redemption from any sale made in collecting the Obligations (commonly known as stay laws and redemption laws). The Mortgagors also waive any and all rights the Mortgagors may have to a hearing before any Governmental Authority prior to the exercise by the Bank of any of its rights or remedies under the Credit Documents and applicable law.

(k) **Prerequisites of Sales.** In case of any sale of the Property as authorized by this Section 5.3, all prerequisites to the sale shall be presumed to have been performed, and in any conveyance given hereunder all statements of facts, or other recitals therein made, as to the nonpayment of any of the Obligations or as to the advertisement of sale, or the time, place and manner of sale, or as to any other fact or thing, shall be taken in all courts of law or equity as rebuttably presumptive evidence that the facts so stated or recited are true.

SECTION 5.4 Default Rate. If an Event of Default exists, the Obligations shall bear interest at the Default Rate, until the earlier of (a) such time as all of the Obligations are paid in full or (b) no such Event of Default exists.

SECTION 5.5 Remedies Cumulative. The rights, powers and remedies of the Bank under this Agreement are cumulative and not exclusive of any other rights, powers or remedies now or hereafter existing at law or in equity.

ARTICLE 6

Miscellaneous

SECTION 6.1 Notices.

(a) **Methods.** Any request, demand, authorization, direction, notice, consent, waiver or other document provided or permitted by this Agreement to be made upon, given or furnished to, or filed with, the Mortgagors or the Bank must (except as otherwise expressly provided in this Agreement) be in writing and be delivered by one of the following methods: (1) by personal delivery at the hand delivery address specified below, (2) by first-class, registered or certified mail, postage prepaid, addressed as specified below, or (3) if facsimile transmission facilities for such party are identified below or pursuant to a separate written notice from such party, sent by facsimile transmission to the number specified below or in such notice.

(b) Addresses. The hand delivery address, mailing address and (if applicable) facsimile transmission number for receipt of notice or other documents by such parties are as follows:

(1) Company:

By hand or mail: Patrick C. Stacker
One World Trade Center, Suite 1600
Long Beach, California 90831-1600

By facsimile: (310) 437-1967

AND

By hand or mail: CMS Turtle Lake, L.P.
c/o CMS Companies
1926 Arch Street
Philadelphia, Pennsylvania 19103
Attention: Dean S. Adler
Richard A. Mitchell

By facsimile: (215) 246-3083

(2) Authority:

By hand: Alabama Housing Finance Authority
2000 Interstate Park Drive, Suite 408
Montgomery, Alabama 36109

By mail: P.O. Box 230909 (36123-0909)
Montgomery, Alabama 36109

By Facsimile: (334) 244-9214

(3) Bank:

By hand: AmSouth Bank of Alabama
Real Estate Loan Department
9th Floor, AmSouth-Sonat Tower
Birmingham, Alabama 35203

By mail: P. O. Box 11007
Birmingham, Alabama 35288

By facsimile: (205) 326-4075

Any of such parties may change the address or number for receiving any such notice or other document by giving notice of the change to the other parties named in this Section 6.1.

(c) Any such notice or other document shall be deemed delivered when actually received by the party to whom directed (or, if such party is not an individual, to an officer, director, partner or other legal representative of the party) at the address or number specified pursuant to Section 6.1(b), or, if sent by mail, three Business Days after such notice or document is deposited in the United States mail, addressed as provided above.

(d) Five Business Days' written notice to the Mortgagors as provided above shall constitute reasonable notification to the Mortgagors when notification is required by law; provided, however, that nothing contained in the foregoing shall be construed as requiring five Business Days' notice if, under applicable law and the circumstances then existing, a shorter period of time would constitute reasonable notice.

SECTION 6.2 Expenses. The Company shall promptly on demand pay all costs and expenses, including the fees and disbursements of counsel to the Bank, incurred by the Bank in connection with (a) the negotiation, preparation and review of this Agreement (whether or not the transactions contemplated by this Agreement shall be consummated), (b) the enforcement of this Agreement, (c) the custody and preservation of the Property, (d) the protection or perfection of the Bank's rights and interests under this Agreement in the Property, (e) the exercise by or on behalf of the Bank of any of its rights, powers or remedies under this Agreement, and (f) the prosecution or defense of any action or proceeding by or against the Bank, the Company, any other Obligor, or any one or more of them, concerning any matter related to this Agreement, any of the Property, or any of the Obligations. All such amounts shall bear interest from the date demand is made at the Default Rate and shall be included in the Obligations secured hereby. The Company's obligations under this Section 6.2 shall survive the payment in full of the Obligations and the termination of this Agreement.

SECTION 6.3 Heirs, Successors and Assigns. Whenever in this Agreement any party hereto is referred to, such reference shall be deemed to include the heirs, successors and assigns of such party, except that the Mortgagors may not assign or transfer this Agreement without the prior written consent of the Bank; and all covenants and agreements of the Mortgagors contained in this Agreement shall bind the Mortgagors' respective successors and assigns and shall inure to the benefit of the successors and assigns of the Bank.

SECTION 6.4 Joint and Several Liability. If the Company is comprised of more than one person, all of the Company's representations, warranties, covenants and agreements under this Agreement shall be joint and several and shall be binding on and enforceable against either, any or all of such persons comprising the Company. If any one or more of the persons comprising the Company is in default, the Bank may exercise its remedies on default against any or all of the persons comprising the Company.

SECTION 6.5 Independent Obligations. The Mortgagors agree that each of the obligations of the Mortgagors to the Bank under this Agreement may be enforced against the

Mortgagors, or either of them, without the necessity of joining any other Obligor, any other holders of Liens in any Property or any other person, as a party.

SECTION 6.6 Governing Law. This Agreement shall be construed in accordance with and governed by Title 9 of the U.S. Code and the internal laws of the State of Alabama (without regard to conflict of law principles) except as required by mandatory provisions of law and except to the extent that the validity and perfection of the Liens on the Property are governed by the laws of any jurisdiction other than the State of Alabama.

SECTION 6.7 Date of Agreement. The date of this Agreement is intended as a date for the convenient identification of this Agreement and is not intended to indicate that this Agreement was executed and delivered on that date.

SECTION 6.8 Separability Clause. If any provision of the Credit Documents shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 6.9 Counterparts. This Agreement may be executed in any number of counterparts, each of which so executed shall be deemed an original, but all such counterparts shall together constitute but one and the same agreement.

SECTION 6.10 No Oral Agreements. This Agreement is the final expression of the agreement between the parties hereto, and this Agreement may not be contradicted by evidence of any prior oral agreement between such parties. All previous oral agreements between the parties hereto have been incorporated into this Agreement and the other Credit Documents, and there is no unwritten oral agreement between the parties hereto in existence.

SECTION 6.11 Waiver and Election. The exercise by the Bank of any option given under this Agreement shall not constitute a waiver of the right to exercise any other option. The filing of a suit to foreclose the Liens granted by this Agreement, either on any matured portion of the Obligations or for the whole of the Obligations, shall not be considered an election so as to preclude foreclosure under power of sale; nor shall the publication of notices for foreclosure under power of sale preclude the prosecution of a later or simultaneous suit to collect the Obligations or foreclose by judicial foreclosure the Liens granted by this Agreement. No failure or delay on the part of the Bank in exercising any right, power or remedy under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or remedy preclude any further exercise thereof or the exercise of any other right, power or remedy. No modification, termination or waiver of any provisions of the Credit Documents, nor consent to any departure by the Mortgagors therefrom, shall be effective unless in writing and signed by an authorized officer of the Bank, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. No notice to or demand on the Mortgagors in any case shall entitle the Mortgagors to any other or further notice or demand in similar or other circumstances.

SECTION 6.12 No Obligations of Bank; Indemnification. The Bank does not by virtue of this Agreement or any of the transactions contemplated by the Credit Documents

assume any duties, liabilities or obligations with respect to any of the Property unless expressly assumed by the Bank under a separate agreement in writing, and this Agreement shall not be deemed to confer on the Bank any duties or obligations that would make the Bank directly or derivatively liable for any person's negligent, reckless or wilful conduct. The Company agrees to indemnify and hold the Bank harmless against and with respect to any damage, claim, action, loss, cost, expense, liability, penalty or interest (including attorney's fees) and all costs and expenses of all actions, suits, proceedings, demands, assessments, claims and judgments (collectively, "claims and losses") directly or indirectly resulting from, occurring in connection with, or arising out of: (a) any inaccurate representation made by the Company or any Obligor in this Agreement or any other Credit Document; (b) any breach of any of the warranties or obligations of the Company or any Obligor under this Agreement or any other Credit Document; and (c) the Property, or the Liens of the Bank thereon. Without limiting the generality of the foregoing, the Company agrees that the Company's obligation to defend, indemnify and save harmless the Bank set forth in this Section 6.12 shall specifically include all claims and losses asserted against or suffered by the Bank that are related to or arise out of (1) any representations or warranties in Section 3.2 that prove to be false or untrue in any material respect, (2) any default in the performance or nonperformance of the Company's covenants in Section 4.11, and (3) any clean up or removal of, or other remedial action with respect to, any Hazardous Substances now or hereafter located on or included in the Property, that may be required by any Hazardous Substance Law or Governmental Authority. The provisions of this Section 6.12 shall survive the payment of the Obligations in full and the termination, satisfaction, release (in whole or in part) and foreclosure of this Agreement. The Company's obligations under this Section 6.12 shall be in addition to any obligations of the Company under any Environmental Indemnity Agreement or similar document executed in favor of the Bank.

SECTION 6.13 Advances by the Bank. If the Mortgagors shall fail to comply with any of the provisions of this Agreement, the Bank may (but shall not be required to) make advances to perform the same, and where necessary enter the Property for the purpose of performing the Company's obligations under any such provision. The Company agrees to repay all such sums advanced upon demand, with interest from the date such advances are made at the Default Rate, and all sums so advanced with interest shall be a part of the Obligations. The making of any such advances shall not be construed as a waiver by the Bank of any Event of Default resulting from the Company's failure to pay such amounts.

SECTION 6.14 Rights, Liens and Obligations Absolute. All rights of the Bank hereunder, all Liens granted to the Bank hereunder, and all obligations of the Mortgagors hereunder, shall be absolute and unconditional and shall not be affected by (a) any lack of validity or enforceability as to any other person of any of the Credit Documents, (b) any change in the time, manner or place of payment of, or any other term of the Obligations, (c) any amendment or waiver of any of the provisions of the Credit Documents as to any other person, and (d) any exchange, release or non-perfection of any other collateral or any release, termination or waiver of any guaranty, for any of the Obligations.

SECTION 6.15 Construction of Mortgage. This Agreement is and may be construed as a mortgage, deed of trust, chattel mortgage, conveyance, assignment, security agreement, pledge, financing statement, fixture filing, hypothecation or contract, or any one or more of

them, in order fully to effectuate the Liens created hereby and the purposes and agreements herein set forth.

SECTION 6.16 Fixture Filing. This Agreement shall be effective as a financing statement filed as a fixture filing for purposes of Article 9 of the Uniform Commercial Code. The fixture filing covers all goods that are or are to become affixed to the Real Property. The goods are described by item or type in Section 2.1. The Company is the debtor, and the Bank is the secured party. The names of the debtor (Mortgagors) and the secured party (Bank) are given in the first paragraph of this Agreement. This Agreement is signed by the debtor (Mortgagors) as a fixture filing. The mailing address of the Bank set out in Section 6.1(b)(2), 6.1(b)(3) is an address of the secured party from which information concerning the security interest may be obtained. The mailing addresses of the Mortgagors set out in Section 6.1(b)(1) are mailing addresses for the debtors. A statement indicating the types, or describing the items, of collateral is set forth in this Section 6.16 and in Section 2.1. The real estate to which the goods are or are to be affixed is described in Exhibit A. The Company is a record owner of the real estate.

SECTION 6.17 Landlord-Tenant Relationship. Any sale of the Property under this Agreement shall, without further notice, create the relationship of landlord and tenant at sufferance between the purchaser and the Mortgagors.

SECTION 6.18 Other Mortgages Encumbering the Real Property.

(a) **Authorization to Disclose.** The Mortgagors hereby authorize the holder of any other mortgage encumbering any of the Real Property to disclose to the Bank at any time the following information: (1) the amount of debt secured by such mortgage; (2) the amount of such debt that is unpaid; (3) whether such debt is or has been in arrears; (4) whether there is or has been any default with respect to such mortgage or the debt secured thereby; and (5) any other information regarding such mortgage or the debt secured thereby that the Bank may request from time to time.

(b) **No Amendments; Default, etc.** The Company agrees to comply with the terms of any other mortgage encumbering any of the Real Property and agrees not to consent to or permit any amendment or modification thereof without the prior written consent of the Bank. The Company further agrees not to permit any default to occur under any other mortgage encumbering any of the Real Property, but that if any default should be made in the payment of principal, interest or any other sum secured by any such mortgage, the Bank may (but shall not be required to) pay all or any part of such amount in default, without notice to the Company. Any such action by the Bank shall not cure any Event of Default created under this Agreement by virtue of the default in the other mortgage.

SECTION 6.19 Termination. This Agreement and the Bank's Liens under this Agreement in the Property will not be terminated until a written mortgage satisfaction instrument executed by one of the Bank's officers is filed for record in the county in which the Land is located. Except as otherwise expressly provided in this Agreement, no satisfaction of this Agreement shall in any way affect or impair the representations, warranties, agreements or other

obligations of the Company or the powers, rights and remedies of the Bank under this Agreement with respect to any transaction or event occurring prior to such satisfaction, all of which shall survive such satisfaction. Even if all of the Obligations owing to the Bank at any one time should be paid in full, this Agreement will continue to secure any Obligations that might later be owed to the Bank until such mortgage satisfaction instrument has been executed and recorded. In no event shall the Bank be obligated to satisfy its Liens under this Agreement or return or release any of the Property to the Company (a) until the payment in full of all Obligations then outstanding, (b) if the Letter of Credit is still in effect or if the Bank is obligated to extend Credit to the Company, (c) if any contingent obligation of the Company to the Bank remains outstanding or (d) until the expiration of any period for avoiding or setting aside any payment to Bank under bankruptcy or insolvency laws.

SECTION 6.20 Reinstatement. This Agreement, the obligations of the Mortgagors hereunder, and the Liens, rights, powers and remedies of the Bank hereunder, shall continue to be effective, or be automatically reinstated, as the case may be, if at any time any amount applied to the payment of any of the Obligations is rescinded or must otherwise be restored or returned to the Mortgagors, any Obligor, or any other person (or paid to the creditors of any of them, or to any custodian, receiver, trustee or other officer with similar powers with respect to any of them, or with respect to any part of their property) upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of the Mortgagors, any Obligor or any such person, or upon or as a result of the appointment of a custodian, receiver, trustee or other officer with respect to any of them, or with respect to any part of their property, or otherwise, all as though such payment had not been made.

SECTION 6.21 Submission to Jurisdiction. The Company irrevocably (a) acknowledges that this Agreement will be accepted by the Bank and performed by the Company in the State of Alabama; (b) submits to the jurisdiction of each state or federal court sitting in Jefferson County, Alabama (collectively, the "Courts") over any suit, action or proceeding arising out of or relating to this Agreement (to enforce the arbitration provisions hereof or, if the arbitration provisions are found to be unenforceable, to determine any issues arising out of or relating to this Agreement) or any of the other Credit Documents (individually, an "Agreement Action"); (c) waives, to the fullest extent permitted by law, any objection or defense that the Company may now or hereafter have based on improper venue, lack of personal jurisdiction, inconvenience of forum or any similar matter in any Agreement Action brought in any of the Courts; (d) agrees that final judgment in any Agreement Action brought in any of the Courts shall be conclusive and binding upon the Company and may be enforced in any other court to the jurisdiction of which the Company is subject, by a suit upon such judgment; (e) consents to the service of process on the Company in any Agreement Action by the mailing of a copy thereof by registered or certified mail, postage prepaid, to the Company at the Company's address designated in or pursuant to Section 6.1; (f) agrees that service in accordance with Section 6.21(e) shall in every respect be effective and binding on the Company to the same extent as though served on the Company in person by a person duly authorized to serve such process; and (g) **AGREES THAT THE PROVISIONS OF THIS SECTION, EVEN IF FOUND NOT TO BE STRICTLY ENFORCEABLE BY ANY COURT, SHALL CONSTITUTE "FAIR WARNING" TO THE COMPANY THAT THE EXECUTION OF THIS AGREEMENT MAY SUBJECT THE COMPANY TO THE JURISDICTION OF**

EACH STATE OR FEDERAL COURT SITTING IN JEFFERSON COUNTY, ALABAMA WITH RESPECT TO ANY AGREEMENT ACTIONS, AND THAT IT IS FORESEEABLE BY THE COMPANY THAT THE COMPANY MAY BE SUBJECTED TO THE JURISDICTION OF SUCH COURTS AND MAY BE SUED IN THE STATE OF ALABAMA IN ANY AGREEMENT ACTIONS. Nothing in this Section 6.21 shall limit or restrict the Bank's right to serve process or bring Agreement Actions in manners and in courts otherwise than as herein provided.

SECTION 6.22 Arbitration. This Agreement incorporates by reference requirements for arbitration of disputes set forth in the Credit Agreement.

SECTION 6.23 Limitation of Liability.

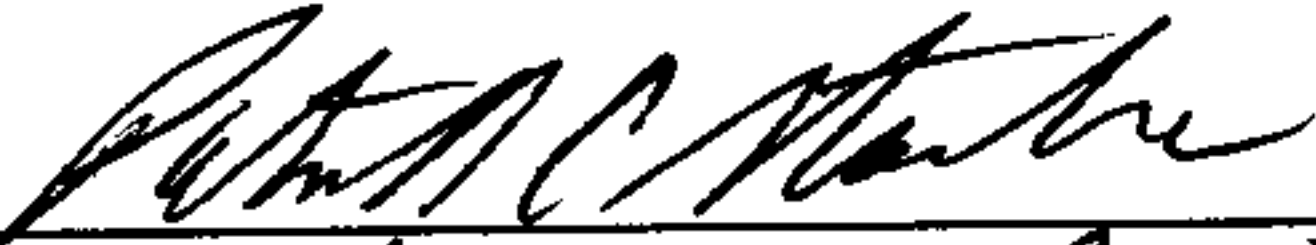
(a) The covenants and agreements contained in this Agreement do not and shall never constitute or give rise to a personal or pecuniary liability or charge against the general credit of the Authority, and in the event of a breach of any such covenant or agreement, no personal or pecuniary liability or charge payable directly or indirectly from the general assets or revenues of the Authority (other than the Authority's interest in the Property) shall arise therefrom. Nothing contained in this Section, however, shall relieve the Authority from observance and performance of the covenants and agreements on its part contained herein. The Obligations shall never constitute an indebtedness of the State of Alabama within the meaning of any constitutional provision or statutory limitation and shall never constitute or give rise to a pecuniary liability of the State of Alabama or a charge against its general credit or taxing powers.

(b) The liability of the Company is limited as provided in Section 6.8 of the Credit Agreement.

SECTION 6.24 Subordination. The Bank shall have the right, at its sole option and in its sole discretion, to subordinate its interest^s under and the lien of this Agreement and/or any other mortgage or security agreement executed by the Company in favor of the Bank to that certain Mortgage, Security Agreement and Assignment of Rents and Leases dated September 1, 1996 executed by the Company in favor of the Authority as security for the Loan (as defined in the recitals to this Agreement).

IN WITNESS WHEREOF, the Authority and the Company have caused this Agreement to be duly executed by its duly authorized representatives and the Authority has caused its corporate seal to be affixed and attested.

BALBOA INVESTMENT GROUP II

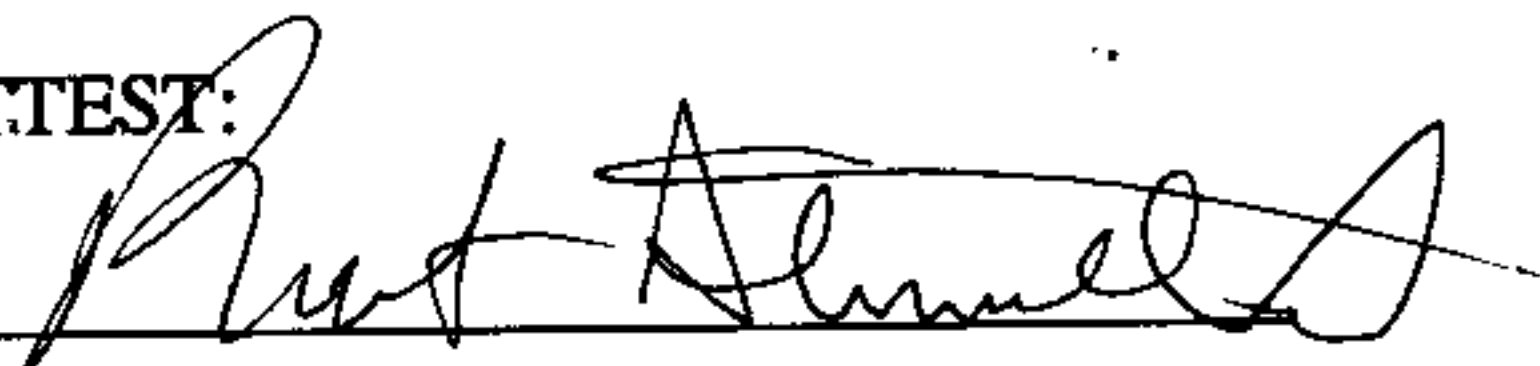
By 
Its GENERAL MANAGER

ALABAMA HOUSING FINANCE AUTHORITY

By 
Its Vice Chairman

[S E A L]

ATTEST:


Its: Assistant Secretary

California
STATE OF ALABAMA)
COUNTY OF Los Angeles)

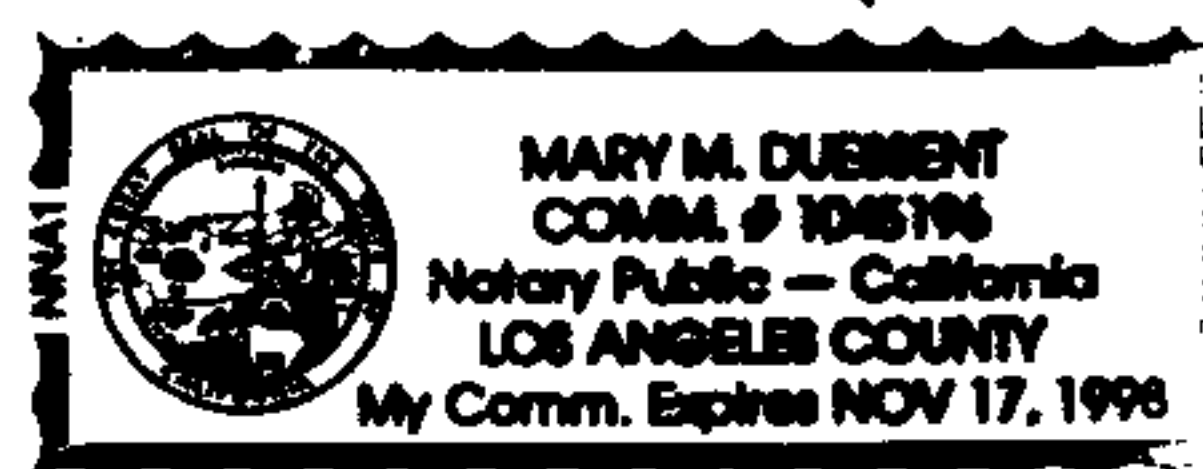
I, the undersigned authority, a Notary Public in and for said county in said State, hereby certify that Patrick C. Stacker, whose name as general partner of Balboa Investment Group II, a California general partnership, is signed to the foregoing instrument and who is known to me, acknowledged before me on this day that, being informed of the contents of said instrument, he/she, as such general partner and with full authority, executed the same voluntarily for and as the act of said partnership.

Given under my hand and official seal this the 12 day of September, 1996.

Mary M. Duesent
Notary Public

AFFIX SEAL

My commission expires: 11-17-98



STATE OF ALABAMA)
COUNTY OF LOWNDES)

I, the undersigned authority, a Notary Public in and for said County in said State, hereby certify that TED B. WATTS, whose name as VICE CHAIRMAN of Alabama Housing Finance Authority, a public corporation, is signed to the foregoing instrument, and who is known to me, acknowledged before me on this day that, being informed of the contents of said instrument, he, as such officer and with full authority, executed the same voluntarily for and as the act of said corporation.

Given under my hand and official seal; this the 16th day of September, 1996.

Vickie Wallace
Notary Public

[AFFIX SEAL]

My commission expires:

**My Commission Expires
May 16, 1999**

This instrument prepared by:

Kathleen A. Collier
MAYNARD, COOPER & GALE, P.C.
1901 Sixth Avenue North
2400 AmSouth/Harbert Plaza
Birmingham, Alabama 35203-2602
(205) 254-1000

EXHIBIT A

(Land Description)

A tract of land in the Southwest 1/4 of the Northeast 1/4 of Section 5, Township 19 South, Range 1 West, Shelby County, Alabama, more particularly described as follows:

Begin at the Northeast corner of said Southwest 1/4 of Northeast 1/4 and run west along the north line thereof for 661.23 feet; thence turn left 88 degrees 57 minutes 22 seconds and run southerly for 330.66 feet; thence turn right 89 degrees 02 minutes 14 seconds and run westerly for 258.06 feet to a point on the easterly right of way line of U.S. Highway 280; thence turn left 85 degrees 52 minutes 30 seconds and run southeasterly along said easterly right of way line for 60.32 feet; thence turn left 84 degrees 07 minutes 30 seconds and run easterly for 286.78 feet to the beginning of a curve to the right having a radius of 189.87 feet and a central angle of 90 degrees 34 minutes 50 seconds; thence easterly and southerly along the arc of said curve for 300.17 feet; thence southerly tangent to said curve for 148.50 feet; thence turn left 90 degrees and run easterly 254.15 feet; thence turn right 90 degrees 27 minutes 45 seconds and run southerly for 218.26 feet; thence turn left 90 degrees and run easterly for 176.0 feet to a point on the east line of said Southwest 1/4 of Northeast 1/4; thence turn left 90 degrees and run northerly along said east line for 956 feet to the point of beginning; being situated in Shelby County, Alabama.

EXHIBIT B

(Credit Documents)

The "**Credit Documents**" referred to in this Agreement include the following:

- (a) Credit Agreement dated September 1, 1996 executed by the Company and the Bank.
- (b) Letter of Credit in the face amount of \$6,065,754 dated September 17, 1996 issued by the Bank for the account of the Company.
- (c) Mortgage, Security Agreement and Assignment of Rents and Leases dated September 1, 1996 executed by the Company and the Authority in favor of the Bank.
- (d) Absolute Assignment of Rents and Leases dated September 1, 1996 executed by the Company and the Authority in favor of the Bank.
- (e) Guaranty Agreement dated September 1, 1996 executed by the Guarantors in favor of the Bank.
- (f) Environmental Indemnity Agreement dated September 1, 1996 executed by the Company, each of the Guarantors and CMS-Turtle Lake, L.P.

EXHIBIT C

(Permitted Encumbrances)

1. The Lien for ad valorem taxes on the Property so long as such taxes are not delinquent.
2. The exceptions set forth in Schedule B-2 of the mortgagee's title insurance policy issued or to be issued pursuant to that certain Commitment to Issue Title Insurance No. 96-28701 prepared by Alabama Title Co., Inc., as agent for Commonwealth Land Title Insurance Company having an effective date of September 5, 1996, at 8:00 a.m. (as marked down by said title insurance agent through the date of closing), to the extent only that such exceptions refer expressly to instruments recorded against, or otherwise specifically affect, the Property and not to any general, standard or similar exceptions that may appear in said policy.
3. Tenant Leases, now existing or hereafter entered into, which conform to the requirements of the Credit Documents.