

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

x

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 2007.

OR

O Transition pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission file number 1-12616

SUN COMMUNITIES, INC.

(Exact Name of Registrant as Specified in its Charter)

Maryland

(State of Incorporation)

38-2730780

(I.R.S. Employer Identification No.)

27777 Franklin Rd.

Suite 200

Southfield, Michigan

(Address of Principal Executive Offices)

48034

(Zip Code)

Registrant's telephone number, including area code: (248) 208-2500

by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No []

by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. (Check one):

Large accelerated filer []

Accelerated filer [X]

Non-accelerated filer []

by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes [] No [X]

APPLICABLE ONLY TO CORPORATE ISSUERS:

the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Number of shares of Common Stock, \$.01 par value per share, outstanding
as of March 31, 2007: 18,276,032

SUN COMMUNITIES, INC.

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SUN COMMUNITIES, INC.
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2007 AND DECEMBER 31, 2006
(amounts in thousands)

	(Unaudited) March 31, 2007	December 31, 2006
ASSETS		
Investment property, net	\$ 1,153,507	\$ 1,161,649
Cash and cash equivalents	4,335	3,183
Inventory of manufactured homes	8,830	12,082
Investment in affiliate	29,626	29,319
Notes and other receivables	29,906	41,407
Other assets	41,581	42,099
Total assets	\$ 1,267,785	\$ 1,289,739
LIABILITIES		
Debt	\$ 1,109,056	\$ 1,080,450
Line of credit	48,600	86,400
Other liabilities	30,098	31,301
Total liabilities	1,187,754	1,198,151
Minority interest	9,940	12,391
STOCKHOLDERS' EQUITY		
Preferred stock, \$.01 par value, 10,000 shares authorized, none issued	\$ —	\$ —
Common stock, \$.01 par value, 90,000 shares authorized, 20,078 and 20,028 issued in 2007 and 2006, respectively	201	200
Additional paid-in capital	455,302	452,882
Officer's notes	(8,999)	(9,083)
Accumulated comprehensive earnings	566	820
Distributions in excess of accumulated earnings	(313,379)	(302,022)
Treasury stock, at cost, 1,802 shares in 2007 and 2006	(63,600)	(63,600)
Total stockholders' equity	70,091	79,197
Total liabilities and stockholders' equity	\$ 1,267,785	\$ 1,289,739

The accompanying notes are an integral part of the consolidated financial statements

SUN COMMUNITIES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2007 AND 2006
(amounts in thousands except for per share data)
(unaudited)

	<u>2007</u>	<u>2006</u>
REVENUES		
Income from real property	\$ 49,242	\$ 48,073
Revenue from home sales	6,150	3,256
Rental home revenue	4,128	2,936
Ancillary revenues, net	263	269
Interest	789	828
Other income	250	469
Total revenues	<u>60,822</u>	<u>55,831</u>
COSTS AND EXPENSES		
Property operating and maintenance	11,722	11,385
Real estate taxes	4,098	3,894
Cost of home sales	4,924	2,397
Rental home operating and maintenance	2,829	2,199
General and administrative - real property	4,410	5,130
General and administrative - home sales and rentals	1,658	1,587
Depreciation and amortization	15,350	14,978
Interest	15,169	14,725
Interest on mandatorily redeemable debt	917	1,089
Total expenses	<u>61,077</u>	<u>57,384</u>
Equity income from affiliate	307	281
Income (loss) from operations	<u>52</u>	<u>(1,272)</u>
Less income (loss) allocated to minority interest	6	(115)
Income (loss) before cumulative effect of change in accounting principle	46	(1,157)
Cumulative effect of change in accounting principle	—	289
Net income (loss)	<u>\$ 46</u>	<u>\$ (868)</u>
Weighted average common shares outstanding:		
Basic	<u>17,841</u>	<u>17,534</u>
Diluted	<u>17,985</u>	<u>17,534</u>
Basic and diluted earnings (loss) per share:		
Income (loss) before cumulative effect of change in accounting principle	\$ 0.00	\$ (0.07)
Cumulative effect of change in accounting principle	—	0.02
Net income (loss)	<u>\$ 0.00</u>	<u>\$ (0.05)</u>

The accompanying notes are an integral part of the consolidated financial statements

SUN COMMUNITIES, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
FOR THE THREE MONTHS ENDED MARCH 31, 2007 AND 2006
(amounts in thousands)
(unaudited)

	2007	2006
Net income (loss)	\$ 46	\$ (868)
Unrealized income (loss) on interest rate swaps	(254)	844
Comprehensive loss	\$ (208)	\$ (24)

SUN COMMUNITIES, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2007
(amounts in thousands)
(unaudited)

	Common Stock	Additional Paid-in Capital	Officer's Notes	Accumulated Comprehensive Earnings (Loss)	Distributions in Excess of Accumulated Earnings	Treasury Stock	Total Equity
Balance, December 31, 2006	\$ 200	\$ 452,882	\$ (9,083)	\$ 820	\$ (302,022)	\$ 63,600	\$ 79,197
Issuance of common stock, net	1	1,505	—	—	(1,757)	—	(251)
Exercise of stock options	—	38	—	—	—	—	38
Stock-based compensation - amortization and forfeitures	—	877	—	—	21	—	898
Repayment of officer's notes	—	—	84	—	—	—	84
Net income	—	—	—	—	46	—	46
Unrealized loss on interest rate swaps	—	—	—	(254)	—	—	(254)
Cash distributions declared of \$0.63 per share	—	—	—	—	(9,667)	—	(9,667)
Balance, March 31, 2007	\$ 201	\$ 455,302	\$ (8,999)	\$ 566	\$ (313,379)	\$ 63,600	\$ 70,091

The accompanying notes are an integral part of the consolidated financial statements

SUN COMMUNITIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2007 AND 2006
(amounts in thousands)

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ 46	\$ (868)
Adjustments to reconcile net income (loss) to cash provided by operating activities:		
Income (loss) allocated to minority interests	6	(115)
Loss (gain) on valuation of derivative instruments	(122)	43
Stock compensation expense, net of cumulative effect of change in accounting principle	928	1,060
Depreciation and amortization	16,090	15,754
Amortization of deferred financing costs	364	454
Equity income from affiliate	(307)	(281)
Decrease (increase) in notes receivable from sale of homes	(1,853)	12
Decrease in inventory, other assets and other receivables, net	2,147	1,307
Decrease in accounts payable and other liabilities	(1,233)	(1,698)
Net cash provided by operating activities	<u>16,066</u>	<u>15,668</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment in rental properties	(6,388)	(19,426)
Decrease in notes receivable and officer's notes, net	13,161	88
Net cash provided by (used in) investing activities	<u>6,773</u>	<u>(19,338)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Redemption of common stock and OP units	(1,213)	(1,323)
Proceeds from option exercise	38	1,564
Borrowings on lines of credit	22,194	41,800
Repayments on lines of credit	(59,994)	(24,800)
Payments to retire preferred operating partnership units	(4,500)	—
Payments to redeem notes payable and other debt	(4,440)	(1,013)
Proceeds from notes payable and other debt	37,500	—
Payments for deferred financing costs	(156)	(105)
Distributions	(11,116)	(12,725)
Net cash provided by (used in) financing activities	<u>(21,687)</u>	<u>3,398</u>
Net increase (decrease) in cash and cash equivalents	1,152	(272)
Cash and cash equivalents, beginning of period	<u>3,183</u>	<u>5,880</u>
Cash and cash equivalents, end of period	<u>\$ 4,335</u>	<u>\$ 5,608</u>
SUPPLEMENTAL INFORMATION:		
Cash paid for interest	\$ 14,817	\$ 14,489
Cash paid for interest on mandatorily redeemable debt	\$ 888	\$ 1,077
Noncash investing and financing activities:		
Debt assumed for rental properties	\$ —	\$ 4,500
Unrealized gain (loss) on interest rate swaps	\$ (254)	\$ 844

The accompanying notes are an integral part of the consolidated financial statements

SUN COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. Basis of Presentation:

These unaudited consolidated financial statements of Sun Communities, Inc., a Maryland corporation, (the “Company”) and all majority-owned and controlled subsidiaries including Sun Communities Operating Limited Partnership (the “Operating Partnership”), SunChamp LLC (“SunChamp”), and Sun Home Services, Inc. (“SHS”), have been prepared pursuant to the Securities and Exchange Commission (“SEC”) rules and regulations and should be read in conjunction with the consolidated financial statements and notes thereto of the Company included in the Annual Report on Form 10-K for the year ended December 31, 2006. The following notes to consolidated financial statements present interim disclosures as required by the SEC. The accompanying consolidated financial statements reflect, in the opinion of management, all adjustments necessary for a fair presentation of the interim financial statements. All such adjustments are of a normal and recurring nature. Certain reclassifications have been made to prior periods’ financial statements in order to conform to current period presentation.

2. Investment Property:

The following summarizes investment property (amounts in thousands):

	(Unaudited) March 31, 2007	December 31, 2006
Land	\$ 117,564	\$ 117,563
Land improvements and buildings	1,177,391	1,175,045
Rental homes and improvements	154,960	151,843
Furniture, fixtures, and equipment	36,571	37,229
Land held for future development	31,082	31,082
	1,517,568	1,512,762
Less accumulated depreciation	(364,061)	(351,113)
Investment property, net	<u>\$ 1,153,507</u>	<u>\$ 1,161,649</u>

Land improvements and buildings consist primarily of infrastructure, roads, landscaping, clubhouses, maintenance buildings and amenities.

SUN COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

3. **Notes and Other Receivables:**

The following table sets forth certain information regarding notes and other receivables (amounts in thousands):

	March 31, 2007	December 31, 2006
Mortgage note receivable, with interest payable at a weighted average interest rate of 7.92% at December 31, 2006, collateralized by a manufactured home community.	\$ —	\$ 13,532
Installment loans on manufactured homes with interest payable monthly at a weighted average interest rate and maturity of 6.9% and 15 years and 6.7% and 15 years, net of allowance for losses of \$0.1 and \$0.2 million at March 31, 2007, and December 31, 2006, respectively.	22,844	20,537
Other receivables, net of allowance for losses of \$0.2 and \$0.3 million at March 31, 2007, and December 31, 2006, respectively.	7,062	7,338
	<u>\$ 29,906</u>	<u>\$ 41,407</u>

On March 1, 2007, the \$13.5 million mortgage note receivable was repaid by the borrower.

Officer's notes, presented as a reduction to stockholders' equity in the balance sheet, are 10 year, LIBOR + 1.75% notes, with a minimum and maximum interest rate of 6% and 9%, respectively. The notes become due in three installments on each of December 31, 2008, 2009 and 2010. The following table sets forth certain information regarding officer's notes as of March 31, 2007, and December 31, 2006 (in thousands except for shares and units):

Promissory Notes	At March 31, 2007			At December 31, 2006		
	Outstanding Principal Balance	Secured by		Outstanding Principal Balance	Secured by	
		Common Stock	Common OP Units		Common Stock	Common OP Units
Secured - \$1.3 million	\$ 1,040	63,993		\$ 1,050	64,586	—
Secured - \$6.6 million	5,283	142,092	102,223	5,332	143,409	103,170
Secured - \$1.0 million	818	75,647	—	826	76,348	—
Unsecured - \$1.0 million	818	—	—	826	—	—
Unsecured - \$1.3 million	1,040	—	—	1,049	—	—
	<u>\$ 8,999</u>	<u>281,732</u>	<u>102,223</u>	<u>\$ 9,083</u>	<u>284,343</u>	<u>103,170</u>

SUN COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

3. **Notes and Other Receivables, continued:**

The officer's personal liability on the secured promissory notes is limited to all accrued interest on such notes plus fifty percent (50%) of the deficiency, if any, after application of the proceeds from the sale of the secured shares and/or the secured units to the then outstanding principal balance of the promissory notes. The unsecured notes are fully recourse to the officer.

The reduction in the aggregate principal balance of these notes was \$0.1 million for the three months ended March 31, 2007 and 2006.

4. **Investment in Affiliate:**

Origen Financial, Inc. ("Origen") is a real estate investment trust in the business of originating, acquiring and servicing manufactured home loans. In October 2003, the Company purchased 5,000,000 shares of common stock of Origen for \$50 million. In December of 2006, the Company recognized an \$18.0 million impairment of the carrying value of its equity investment in Origen. The Company owns approximately 20% of Origen at March 31, 2007, and its investment is accounted for using the equity method of accounting. Equity earnings recorded through March 31, 2007, reflect the Company's estimate of its portion of the anticipated earnings of Origen for the period ending March 31, 2007, and the Company's adjustments for estimates made in prior quarters based on the actual reported results of Origen for such prior quarters.

5. **Debt:**

The following table sets forth certain information regarding debt (amounts in thousands):

	March 31, 2007	December 31, 2006
Collateralized term loans - CMBS, 4.93-5.32%, due July 1, 2011-2016	\$ 491,157	\$ 492,749
Collateralized term loans - FNMA, of which \$77.4M is variable, due May 1, 2014 and January 1, 2015, at the Company's option, interest at 4.51 - 5.3% at March 31, 2007, and December 31, 2006.	384,407	385,299
Preferred OP units, redeemable at various dates through January 2, 2014, average interest at 7.2% at March 31, 2007, and 6.9% at December 31, 2006.	49,447	53,947
Mortgage notes, other, maturing at various dates through May 1, 2017, average interest at 6.2% at March 31, 2007, and December 31, 2006.	184,045	148,455
	<u>\$ 1,109,056</u>	<u>\$ 1,080,450</u>

The collateralized term loans totaling \$875.6 million at March 31, 2007, are secured by 87 properties comprising approximately 31,093 sites representing approximately \$592.4 million of net book value. The mortgage notes totaling \$184.0 million at March 31, 2007, are collateralized by 16 communities comprising approximately 5,863 sites representing approximately \$173.8 million of net book value.

SUN COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

5. **Debt, continued:**

The Company has an unsecured revolving line of credit with a maximum borrowing capacity of \$115 million bearing interest at LIBOR + 1.75% (7.17% at March 31, 2007). The outstanding balance on the line of credit at March 31, 2007, was \$48.6 million. In addition, \$3.4 million of availability was used to back standby letters of credit leaving a maximum of \$63.0 million available to be drawn under the facility.

In March of 2006, the Company closed on a \$40.0 million floor plan facility that allows for draws on new and pre-owned home purchases and on the Company's portfolio of rental homes. At March 31, 2007, there was no outstanding balance.

In February of 2007, the Company redeemed \$4.5 million of Preferred OP units.

During the quarter the Company completed financings of \$17.5 million and \$20.0 million at interest rates of 5.842 percent and 5.825 percent, respectively. The loans are secured by two properties and have interest only payments for a term of 10 years. The proceeds from both financings were used to pay down the Company's revolving line of credit.

At March 31, 2007, the total of maturities and amortization of debt during the next five years, are approximately as follows: 2008 – \$27.1 million; 2009 - \$18.5 million; 2010 - \$32.5 million, 2011 - \$17.8 million; 2012 - \$115.8 million and \$897.4 million thereafter.

The most restrictive of these debt agreements place limitations on secured and unsecured borrowings and contain minimum debt service coverage, leverage, distribution and net worth requirements. At March 31, 2007, and December 31, 2006, the Company was in compliance with all covenants.

6. **Other Income (Loss):**

The components of other income (loss) are as follows for the three months ended March 31, 2007 and 2006 (in thousands):

	<u>2007</u>	<u>2006</u>
Brokerage commissions	\$ 203	\$ 333
Disposal of assets	2	32
Other	45	104
	<u>\$ 250</u>	<u>\$ 469</u>

SUN COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

7. **Segment Reporting (amounts in thousands):**

The consolidated operations of the Company can be segmented into home sales and home rentals, and real property operations segments. Following is a presentation of selected financial information:

	Three months ended March 31, 2007		
	Real Property Operations	Home Sales and Home Rentals	Consolidated
Revenues	\$ 49,242 (2)	\$ 10,278	\$ 59,520
Operating expenses/Cost of sales	15,820	7,753	23,573
Net operating income ⁽¹⁾ /Gross profit	33,422	2,525	35,947
Adjustments to arrive at net income (loss):			
Other revenues	1,009	293	1,302
General and administrative	(4,410)	(1,658)	(6,068)
Depreciation and amortization	(11,404)	(3,946)	(15,350)
Interest expense	(16,052)	(34)	(16,086)
Equity income from affiliate	307	—	307
Income allocated to minority interest	(6)	—	(6)
Net income (loss)	<u>\$ 2,866</u>	<u>\$ (2,820)</u>	<u>\$ 46</u>

	Three months ended March 31, 2006		
	Real Property Operations	Home Sales and Home Rentals	Consolidated
Revenues	\$ 48,073 (2)	\$ 6,192	\$ 54,265
Operating expenses/Cost of sales	15,279	4,596	19,875
Net operating income ⁽¹⁾ /Gross profit	32,794	1,596	34,390
Adjustments to arrive at net income (loss):			
Other revenues	1,293	273	1,566
General and administrative	(5,130)	(1,587)	(6,717)
Depreciation and amortization	(11,503)	(3,475)	(14,978)
Interest expense	(15,804)	(10)	(15,814)
Equity income from affiliate	281	—	281
Loss allocated to minority interest	115	—	115
Income (loss) before cumulative effect of change in accounting principle	<u>\$ 2,046</u>	<u>\$ (3,203)</u>	<u>\$ (1,157)</u>
Cumulative effect of change in accounting principle	289	—	289
Net income (loss)	<u>\$ 2,335</u>	<u>\$ (3,203)</u>	<u>\$ (868)</u>

(1) Investors in and analysts following the real estate industry utilize net operating income ("NOI") as a supplemental performance measure. NOI is derived from revenues (determined in accordance with GAAP) minus property operating expenses and real estate taxes (determined in accordance with GAAP). NOI does not represent cash generated from operating activities in accordance with GAAP and should not be considered to be an alternative to net income (determined in accordance with GAAP) as an indication of the Company's financial performance or to be an alternative to cash flow from operating activities (determined in accordance with GAAP) as a measure of the Company's liquidity; nor is it indicative of funds available for the Company's cash needs, including its ability to make cash distributions. The Company believes that net income is the most directly comparable GAAP measurement to net operating income. Net income includes interest and depreciation and amortization which often have no effect on the market value of a property and therefore limit its use as a performance measure. In addition, such expenses are often incurred at a parent company level and therefore are not necessarily linked to the performance of a real estate asset. The Company believes that net operating income is helpful to investors as a measure of operating performance because it is an indicator of the return on property investment, and provides a method of comparing property performance over time. The Company uses NOI as a key management tool when evaluating performance and growth of particular properties and/or groups of properties. The principal limitation of NOI is that it excludes depreciation, amortization and non-property specific expenses such as general and administrative expenses, all of which are significant costs, and therefore, NOI is a measure of the operating performance of the properties of the Company rather than of the Company overall.

(2) Seasonal recreational vehicle revenue is included in Property Operations revenues and is approximately \$5.3 million annually. This seasonal revenue is recognized approximately 53% in the first quarter, 7% in both the second and third quarters and 33% in the fourth quarter of each fiscal year.

SUN COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

7. **Segment Reporting (amounts in thousands), continued:**

Selected balance sheet data	March 31, 2007			December 31, 2006		
	Real Property Operations	Home Sales and Home Rentals	Consolidated	Real Property Operations	Home Sales and Home Rentals	Consolidated
Identifiable assets:						
Investment property, net	\$ 1,023,908	\$ 129,599	\$ 1,153,507	\$ 1,031,771	\$ 129,878	\$ 1,161,649
Cash and cash equivalents	4,174	161	4,335	3,457	(274)	3,183
Inventory of manufactured homes	—	8,830	8,830	—	12,082	12,082
Investment in affiliate	29,626	—	29,626	29,319	—	29,319
Notes and other receivables	27,834	2,072	29,906	40,583	824	41,407
Other assets	40,133	1,448	41,581	40,921	1,178	42,099
Total assets	\$ 1,125,675	\$ 142,110	\$ 1,267,785	\$ 1,146,051	\$ 143,688	\$ 1,289,739

8. **Derivative Instruments and Hedging Activities:**

The Company has entered into four derivative contracts consisting of three interest rate swap agreements and an interest rate cap agreement. The Company's primary strategy in entering into derivative contracts is to minimize the variability that changes in interest rates could have on its future cash flows. The Company generally employs derivative instruments that effectively convert a portion of its variable rate debt to fixed rate debt and to cap the maximum interest rate on its variable rate borrowings. The Company does not enter into derivative instruments for speculative purposes.

The swap agreements were effective April 2003, and have the effect of fixing interest rates relative to a collateralized term loan due to Fannie Mae. One swap matures in July 2009, with an effective fixed rate of 4.84 percent. A second swap matures in July 2012, with an effective fixed rate of 5.28 percent. The third swap matures in July 2007, with an effective fixed rate of 3.88 percent. The third swap is effective as long as 90-day LIBOR is 7 percent or lower. The three swaps have an aggregate notional amount of \$75.0 million. The interest rate cap agreement has a cap rate of 11.79 percent, a notional amount of \$152.4 million and a termination date of May 29, 2007. Each of the Company's derivative contracts is based upon 90-day LIBOR.

The Company has designated the first two swaps and the interest rate cap as cash flow hedges for accounting purposes. The changes in the value of these hedges are reflected in accumulated other comprehensive income (loss) on the balance sheet. These three hedges were highly effective and had minimal effect on income. The third swap does not qualify as a hedge for accounting purposes and, accordingly, the entire change in valuation, whether positive or negative, is reflected as a component of interest expense. The valuation adjustment decreased interest expense by \$0.1 million and increased interest expense by \$0.04 million for the three months ended March 31, 2007 and 2006, respectively.

In accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which requires all derivative instruments to be carried at fair value on the balance sheet, the Company has recorded an asset of \$0.4 million and \$0.6 million as of March 31, 2007, and December 31, 2006, respectively.

These valuation adjustments will only be realized if the Company terminates the swaps prior to maturity. This is not the intent of the Company and, therefore, the net of valuation adjustments through the various maturity dates will approximate zero.

SUN COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

9. Income Taxes:

The Company has elected to be taxed as a real estate investment trust ("REIT") as defined under Section 856(c) of the Internal Revenue Code of 1986, as amended. As a REIT, the Company generally will not be subject to U.S. federal income taxes at the corporate level on the ordinary taxable income it distributes to its stockholders as dividends. SHS, the Company's taxable REIT subsidiary, is subject to U.S. federal income taxes.

On January 1, 2007, the Company adopted the provisions of Financial Accounting Standards Board (FASB) Interpretation 48, "Accounting for Uncertainty in Income Taxes" (FIN 48). The Company previously had accounted for tax contingencies in accordance with Statement of Financial Accounting Standards 5, "Accounting for Contingencies". As required by FIN 48, which clarifies FASB Statement No. 109, "Accounting for Income Taxes", the Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. At the adoption date, the Company applied FIN 48 to all tax positions for which the statute of limitations remained open. As a result of the adoption of FIN 48, the Company did not recognize any increase in the liability for unrecognized tax benefits, which would have been accounted for as a decrease to the January 1, 2007 balance of retained earnings. At January 1, 2007, the Company had no unrecognized tax benefits. There have been no material changes to the unrecognized tax benefits during the 1st quarter of 2007, nor are any expected within the next twelve months.

The Company and its subsidiaries are subject to income taxes in the U.S. and various state jurisdictions. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply. With few exceptions, the Company is no longer subject to U.S. Federal, State and Local, examinations by tax authorities before 2002. Neither the IRS nor any state or local tax jurisdictions have commenced examinations of any income tax returns.

The Company's policy is to report penalties and tax-related interest expense as a component of income tax expense. As of the date of adoption, no interest or penalty associated with any unrecognized tax benefit was accrued, nor was any interest or penalty recognized during the quarter.

SUN COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

10. **Earnings (Loss) Per Share (in thousands):**

For the three months ended March 31, 2007 and 2006:

	2007	2006
Earnings (loss) used for basic and diluted earnings (loss) per share computation:		
Net income (loss)	\$ 46	\$ (868)
Weighted average shares used for basic earnings (loss) per share	17,841	17,534
Dilutive securities:		
Stock options and other	144	—
Diluted weighted average shares	17,985	17,534

Diluted earnings per share reflect the potential dilution that would occur if dilutive securities were exercised or converted into common stock. The calculation of both basic and diluted earnings per share for the three month period ending March 31, 2006, is based upon weighted average shares prior to dilution, as the effect of including potentially dilutive securities in the calculation during this period would be anti-dilutive.

The Company also has the following potentially convertible securities which, if converted, may impact dilution:

Convertible Securities	Number of units issued	Conversion Features
Series A Preferred OP Units	1,325,275	Convertible to common stock at \$68 per share/unit. Mandatorily redeemable on January 2, 2014

SUN COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

11. Commitments and Contingencies:

On April 9, 2003, T.J. Holdings, LLC (“TJ Holdings”), a member of Sun/Forest, LLC (“Sun/Forest”) (which, in turn, owns an equity interest in SunChamp LLC), (“SunChamp”), filed a complaint against the Company, SunChamp, certain other affiliates of the Company and two directors of Sun Communities, Inc. in the Superior Court of Guilford County, North Carolina. The complaint alleges that the defendants wrongfully deprived the plaintiff of economic opportunities that they took for themselves in contravention of duties allegedly owed to the plaintiff and purports to claim damages of \$13.0 million plus an unspecified amount for punitive damages. The Company believes the complaint and the claims threatened therein have no merit and will defend it vigorously. These proceedings were stayed by the Superior Court of Guilford County, North Carolina in 2004 pending final determination by the Circuit Court of Oakland County, Michigan as to whether the dispute should be submitted to arbitration and the conclusion of all appeals therefrom. On March 13, 2007, the Michigan Court of Appeals issued an order compelling arbitration of all claims brought in the North Carolina case. TJ Holdings has filed an application for review in the Michigan Supreme Court which remains pending.

As announced on February 27, 2006, the U.S. Securities and Exchange Commission (the “SEC”) completed its inquiry regarding the Company’s accounting for its SunChamp investment during 2000, 2001 and 2002, and the Company and the SEC entered into an agreed-upon Administrative Order (the “Order”). The Order required that the Company cease and desist from violations of certain non intent-based provisions of the federal securities laws, without admitting or denying any such violations.

On February 27, 2006, the SEC filed a civil action against the Company’s Chief Executive Officer, Chief Financial Officer and a former controller in the United States District Court for the Eastern District of Michigan alleging various claims generally consistent with the SEC’s findings set forth in the Order. This action is currently in the discovery stage. The Company continues to indemnify such employees for all costs and expenses incurred in connection with such civil action.

The Company is involved in various other legal proceedings arising in the ordinary course of business. All such proceedings, taken together, are not expected to have a material adverse impact on our results of operations or financial condition.

SUN COMMUNITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

12. **Subsequent events:**

Subsequent to quarter end, the Company extended \$15.8 million of debt with an original maturity date of April 1, 2007. The transaction extended the maturity date of the debt until April 1, 2012, and reduced the spread over LIBOR by 0.25 percent. As part of the transaction the Company paid down the principal balance of the debt by \$1.0 million.

13. **Recent Accounting Pronouncements:**

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" (SFAS No. 157). SFAS No. 157 establishes a common definition for fair value to be applied to US GAAP guidance requiring use of fair value, establishes a framework for measuring fair value, and expands disclosure about such fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. The Company is currently assessing the impact of SFAS No. 157 on its consolidated financial position and results of operations.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities – Including an Amendment of FASB Statement No. 115" (SFAS 159). This statement permits, but does not require, entities to measure certain financial instruments and other assets and liabilities at fair value on an instrument-by-instrument basis. Unrealized gains and losses on items for which the fair value option has been elected should be recognized in earnings at each subsequent reporting date. SFAS 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Company does not believe SFAS 159 will have a material impact on its results from operations or financial position.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**OVERVIEW**

The following discussion and analysis of the consolidated financial condition and results of operations should be read in conjunction with the consolidated financial statements and the notes thereto. Capitalized terms are used as defined elsewhere in this Form 10-Q.

SIGNIFICANT ACCOUNTING POLICIES

The Company had identified significant accounting policies that, as a result of the judgments, uncertainties, uniqueness and complexities of the underlying accounting standards and operations involved could result in material changes to its financial condition or results of operations under different conditions or using different assumptions. Details regarding the Company's significant accounting policies are described fully in the Company's 2006 Annual Report filed with the Securities and Exchange Commission on Form 10-K. During the three months ended March 31, 2007, there have been no material changes to the Company's significant accounting policies that impacted the Company's financial condition or results of operations.

RESULTS OF OPERATIONSComparison of the three months ended March 31, 2007 and 2006

For the three months ended March 31, 2007, income from operations increased by \$1.3 million from a loss of \$(1.2) million to income of \$0.1 million, when compared to the three months ended March 31, 2006. The increase was due to increased revenues of \$5.0 million, offset by increased expenses of \$3.7 million as described in more detail below.

Income from real property increased by \$1.1 million from \$48.1 million to \$49.2 million, or 2.3 percent, primarily due to rent increases.

Revenue from home sales increased by \$2.9 million from \$3.3 million to \$6.2 million, or 87.9 percent. The Company sold 185 manufactured homes during the three months ended March 31, 2007, as compared to 71 sales during the same period in 2006. Consumer demand shifted to pre-owned homes, which resulted in a decrease in average sales price of 27.5 percent. The decrease in average sales price was more than offset by additional revenue resulting from the increase in the number of homes sold.

Rental home revenue increased by \$1.2 million from \$2.9 million to \$4.1 million, or 41.4 percent. The number of tenants in the Company's rental program increased from 4,215 at March 31, 2006, to 4,860 at March 31, 2007, resulting in additional revenue of approximately \$0.7 million. The remainder of the increase resulted from an increase in the average rental rate per home from \$653 per month at March 31, 2006, to \$697 per month at March 31, 2007.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**RESULTS OF OPERATIONS, continued:**

Other income decreased by \$0.2 million from \$0.5 million to \$0.3 million due primarily to a decrease in brokerage commissions.

Property operating and maintenance expenses increased by \$0.3 million from \$11.4 million to \$11.7 million, or 2.6 percent. The increase was due to increases in payroll and health insurance costs (\$0.2 million) and property insurance cost (\$0.1 million).

Real estate taxes increased by \$0.2 million due to increases in assessments and tax rates.

Cost of home sales increased by \$2.5 million from \$2.4 million to \$4.9 million, or 104.2 percent due primarily to the increase in the number of homes sold. The Company sold 185 manufactured homes during the three months ended March 31, 2007, as compared to 71 sales during the same period in 2006. Gross profit margins decreased from 26.4 percent in the first quarter of 2006 to 19.9 percent in the first quarter of 2007 due to increased sales of pre-owned homes at lower margins.

Rental home operating and maintenance expense increased by \$0.6 million from \$2.2 million to \$2.8 million, or 27.3 percent due primarily to an increase in the number of tenants in the Company's rental program. Additional information regarding the Company's rental program is contained in the table below.

General and administrative expenses for real property decreased by \$0.7 million, from \$5.1 million to \$4.4 million, due to a decrease in payroll and benefits of \$0.4 million and a decrease in legal fees of \$0.3 million.

General and administrative expenses for home sales and rentals increased by \$0.1 million from \$1.6 million to \$1.7 million, or 6.2 percent due primarily to an increase in commissions.

Depreciation and amortization increased by \$0.4 million from \$15.0 million to \$15.4 million, or 2.7 percent, due primarily to an increase in the total rental home portfolio.

Interest expense, including interest on mandatorily redeemable debt, increased by \$0.3 million from \$15.8 million to \$16.1 million, or 1.9 percent due to an increase in average debt balances of 2.5 percent.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS, continued:

SAME PROPERTY INFORMATION

The following table reflects property-level financial information as of and for the three months ended March 31, 2007 and 2006. The "Same Property" data represents information regarding the operation of communities owned as of January 1, 2006, and March 31, 2007. Site, occupancy, and rent data for those communities is presented as of the last day of each period presented.

	Same Property		Total Portfolio	
	2007	2006	2007	2006
	(in thousands)		(in thousands)	
Income from real property	\$ 47,326	\$ 46,151	\$ 49,242	\$ 48,073
Property operating expenses:				
Property operating and maintenance	9,145 (4)	8,907 (4)	11,722	11,385
Real estate taxes	4,074	3,875	4,098	3,894
Property operating expenses	13,219	12,782	15,820	15,279
Real property net operating income ⁽¹⁾	\$ 34,107	\$ 33,369	\$ 33,422	\$ 32,794
Number of properties	135	135	136	136
Developed sites	47,466	47,442	47,608	47,584
Occupied sites	38,012 (2)	38,512 (2)	38,039 (2)	38,539 (2)
Occupancy %	83.1% (3)	84.4% (3)	82.8% (3)	84.2% (3)
Weighted average monthly rent per site	\$ 374 (3)	\$ 360 (3)	\$ 373 (3)	\$ 360 (3)
Sites available for development	6,310	6,359	6,808	6,857
Sites planned for development in next year	18	41	18	41

⁽¹⁾ Investors in and analysts following the real estate industry utilize net operating income ("NOI") as a supplemental performance measure. NOI is derived from revenues (determined in accordance with GAAP) minus property operating expenses and real estate taxes (determined in accordance with GAAP). NOI does not represent cash generated from operating activities in accordance with GAAP and should not be considered to be an alternative to net income (determined in accordance with GAAP) as an indication of the Company's financial performance or to be an alternative to cash flow from operating activities (determined in accordance with GAAP) as a measure of the Company's liquidity; nor is it indicative of funds available for the Company's cash needs, including its ability to make cash distributions. The Company believes that net income is the most directly comparable GAAP measurement to net operating income. Net income includes interest and depreciation and amortization which often have no effect on the market value of a property and therefore limit its use as a performance measure. In addition, such expenses are often incurred at a parent company level and therefore are not necessarily linked to the performance of a real estate asset. The Company believes that net operating income is helpful to investors as a measure of operating performance because it is an indicator of the return on property investment, and provides a method of comparing property performance over time. The Company uses NOI as a key management tool when evaluating performance and growth of particular properties and/or groups of properties. The principal limitation of NOI is that it excludes depreciation, amortization and non-property specific expenses such as general and administrative expenses, all of which are significant costs, and therefore, NOI is a measure of the operating performance of the properties of the Company rather than of the Company overall.

⁽²⁾ Occupied sites include manufactured housing and permanent recreational vehicle sites, and exclude seasonal recreational vehicle sites.

⁽³⁾ Occupancy % and weighted average rent relates to manufactured housing sites, excluding recreational vehicle sites.

⁽⁴⁾ Amounts are reported net of water and sewer utility revenues.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS, continued:

On a same property basis, real property net operating income increased by \$0.7 million from \$33.4 million for the three months ended March 31, 2006, to \$34.1 million for the three months ended March 31, 2007, or 2.2 percent. Income from real property increased by \$1.1 million from \$46.2 million to \$47.3 million, or 2.6 percent, due primarily to increases in rents. Property operating expenses increased by \$0.4 million from \$12.8 million to \$13.2 million, or 3.4 percent, due to increases in real estate taxes (\$0.2 million), payroll and health benefit costs (\$0.2 million), and other (\$0.1 million), partially offset by a decrease in utility costs (\$0.1 million).

Rental Program

The following tables reflect additional information regarding the Company's rental program for the three months ended and as of March 31, 2007 and 2006:

	2007	2006
	(in thousands except for *)	
Rental home revenue	\$ 4,128	\$ 2,936
Site rent included in Income from real property	5,065	4,186
Rental program revenue	9,193	7,122
Expenses		
Payroll and commissions	493	454
Repairs and refurbishment	1,432	957
Taxes and insurance	581	594
Other	323	194
Rental program operating and maintenance	2,829	2,199
Net operating income ⁽¹⁾	\$ 6,364	\$ 4,923
Number of occupied rentals, end of period*	4,860	4,215
Cost of occupied rental homes	\$ 144,215	\$ 124,007
Weighted average monthly rental rate*	\$ 697	\$ 653

⁽¹⁾ See Note (1) following Same Property Information

Net operating income from the rental program increased \$1.5 million from \$4.9 million in the first quarter of 2006 to \$6.4 million in the first quarter of 2007 as a result of a \$2.1 million increase in revenue offset by a \$0.6 million increase in expenses. Revenues increased due to an increase in the weighted average monthly rental rate and an increase in the number of leased rental homes. Expenses were also impacted by the increase in the number of leased rental homes.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**LIQUIDITY AND CAPITAL RESOURCES**

The Company's principal liquidity demands have historically been, and are expected to continue to be, distributions to the Company's stockholders and the unitholders of the Operating Partnership, capital improvements of properties, the purchase of new and pre-owned homes, property acquisitions, development and expansion of properties and debt repayment.

The Company expects to meet its short-term liquidity requirements through its working capital provided by operating activities and through its \$155.0 million lines of credit. The Company considers these resources to be adequate to meet all operating requirements, including recurring capital improvements, routinely amortizing debt and other normally recurring expenditures of a capital nature, pay dividends to its stockholders to maintain qualification as a REIT in accordance with the Internal Revenue Code and make distributions to the Operating Partnership's unitholders.

The Company has invested approximately \$0.3 million in its development communities for the three months ended March 31, 2007, consisting primarily of costs necessary to complete home site improvements such as driveways, sidewalks, piers, pads and runners. The Company plans to invest approximately \$2 to \$3 million in developments consisting of expansions to existing communities during 2007. The Company expects to finance these investments by using net cash flows provided by operating activities and by drawing upon its line of credit.

The Company continuously seeks acquisition opportunities that meet the Company's criteria for acquisition. Should such investment opportunities arise in 2007, the Company will finance the acquisitions through the temporary use of its line of credit until permanent secured financing can be arranged, through the assumption of existing debt on the properties or the issuance of certain equity securities.

The Company has also invested approximately \$3.1 million during the three months ended March 31, 2007, in homes primarily intended for its rental program. Expenditures for the remainder of 2007 will be dependent upon the condition of the markets for repossessions and new home sales, as well as the demand for rental homes.

Cash and cash equivalents increased by \$1.1 million from \$3.2 million at December 31, 2006, to \$4.3 million at March 31, 2007. Net cash provided by operating activities increased by \$0.4 million to \$16.1 million for the three months ended March 31, 2007, compared to \$15.7 million for the three months ended March 31, 2006.

The Company's net cash flows provided by operating activities may be adversely impacted by, among other things: (a) the market and economic conditions in the Company's current markets generally, and specifically in metropolitan areas of the Company's current markets; (b) lower occupancy and rental rates of the Company's properties (the "Properties"); (c) increased operating costs, including insurance premiums, real estate taxes and utilities, that cannot be passed on to the Company's tenants; and (d) decreased sales of manufactured homes. See "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2006.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**LIQUIDITY AND CAPITAL RESOURCES, continued:**

The Company anticipates meeting its long-term liquidity requirements, such as scheduled debt maturities, large property acquisitions, and Operating Partnership unit redemptions through the collateralization of its properties. From time to time, the Company may also issue shares of its capital stock, issue equity units in the Operating Partnership or sell selected assets. The ability of the Company to finance its long-term liquidity requirements in such manner will be affected by numerous economic factors affecting the manufactured housing community industry at the time, including the availability and cost of mortgage debt, the financial condition of the Company, the operating history of the Properties, the state of the debt and equity markets, and the general national, regional and local economic conditions. See "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2006. If the Company is unable to obtain additional debt or equity financing on acceptable terms, the Company's business, results of operations and financial condition will be adversely impacted.

At March 31, 2007, the Company's debt to total market capitalization approximated 64.5 percent (assuming conversion of all Common OP Units to shares of common stock). The debt has a weighted average maturity of approximately 7.1 years and a weighted average interest rate of 5.4 percent.

Capital expenditures for the three months ended March 31, 2007 and 2006 included recurring capital expenditures of \$1.2 million and \$1.4 million, respectively.

Net cash provided by investing activities was \$6.8 million for the three months ended March 31, 2007, compared to \$(19.3) million cash used in investing activities for the three months ended March 31, 2006. The increase of \$26.1 million was due to a \$13.1 million decrease in notes receivable and officers' notes, net, and decreased investment in rental property of \$13.0 million.

Net cash used in financing activities was \$(21.7) million for the three months ended March 31, 2007, compared to \$3.4 million of cash provided by financing activities for the three months ended March 31, 2006. The difference is primarily due to a \$54.8 million increase in net repayments on lines of credit, a \$4.5 million increase in payments to retire preferred operating partnership units, a decrease in net proceeds from option exercises and the issuance of common stock and OP units, net of \$1.4 million, and increased payments for deferred financing costs of \$0.1 million, offset by an increase in net proceeds from notes payable and other debt of \$34.1 million and decreased distributions of \$1.6 million.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**SUPPLEMENTAL MEASURE:**

Funds from operations ("FFO") is defined by the National Association of Real Estate Investment Trusts ("NAREIT") as net income (computed in accordance with generally accepted accounting principles), excluding gains (or losses) from sales of depreciable operating property, plus real estate-related depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. FFO is a non-GAAP financial measure that management believes is a useful supplemental measure of the Company's operating performance. Management generally considers FFO to be a useful measure for reviewing comparative operating and financial performance because, by excluding gains and losses related to sales of previously depreciated operating real estate assets and excluding real estate asset depreciation and amortization (which can vary among owners of identical assets in similar condition based on historical cost accounting and useful life estimates), FFO provides a performance measure that, when compared year over year, reflects the impact to operations from trends in occupancy rates, rental rates and operating costs, providing perspective not readily apparent from net income. Management believes that the use of FFO has been beneficial in improving the understanding of operating results of REITs among the investing public and making comparisons of REIT operating results more meaningful.

Because FFO excludes significant economic components of net income including depreciation and amortization, FFO should be used as an adjunct to net income and not as an alternative to net income. The principal limitation of FFO is that it does not represent cash flow from operations as defined by GAAP and is a supplemental measure of performance that does not replace net income as a measure of performance or net cash provided by operating activities as a measure of liquidity. In addition, FFO is not intended as a measure of a REIT's ability to meet debt principal repayments and other cash requirements, nor as a measure of working capital. FFO only provides investors with an additional performance measure. Other REITs may use different methods for calculating FFO and, accordingly, the Company's FFO may not be comparable to other REITs.

The following table reconciles net income to FFO and calculates FFO data for both basic and diluted purposes for the three months ended March 31, 2007 and 2006 (in thousands):

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

SUPPLEMENTAL MEASURE, continued:

RECONCILIATION OF NET INCOME (LOSS) TO FUNDS FROM OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2007 AND 2006
(Amounts in thousands, except per share/OP unit amounts) (Unaudited)

	2007	2006
Net income (loss)	\$ 46	\$ (868)
Adjustments:		
Depreciation and amortization	15,572	15,588
Valuation adjustment ⁽¹⁾	(122)	43
Gain on disposition of assets, net	(2)	(32)
Income (loss) allocated to minority interest	6	(115)
Funds from operations (FFO)	<u>\$ 15,500</u>	<u>\$ 14,616</u>
Weighted average common shares/OP Units outstanding:		
Basic	<u>20,143</u>	<u>19,857</u>
Diluted	<u>20,287</u>	<u>20,007</u>
FFO per weighted average Common Share/OP Unit - Basic	<u>\$ 0.77</u>	<u>\$ 0.74</u>
FFO per weighted average Common Share/OP Unit - Diluted	<u>\$ 0.76</u>	<u>\$ 0.73</u>

⁽¹⁾ The Company entered into three interest rate swaps and an interest rate cap agreement. The valuation adjustment reflects the theoretical noncash profit and loss were those hedging transactions terminated at the balance sheet date. As the Company has no expectation of terminating the transactions prior to maturity, the net of these noncash valuation adjustments will be zero at the various maturities. As any imperfection related to hedging correlation in these swaps is reflected currently in cash as interest, the valuation adjustments reflect volatility that would distort the comparative measurement of FFO and on a net basis approximate zero. Accordingly, the valuation adjustments are excluded from FFO. The valuation adjustment is included in interest expense.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**Safe Harbor Statement**

This Form 10-Q contains various "forward-looking statements" within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934, and the Company intends that such forward-looking statements will be subject to the safe harbors created thereby. For this purpose, any statements contained in this filing that relate to prospective events or developments are deemed to be forward-looking statements. Words such as "believes," "forecasts," "anticipates," "intends," "plans," "expects," "may," "will" and similar expressions are intended to identify forward-looking statements. These forward-looking statements reflect the Company's current views with respect to future events and financial performance, but involve known and unknown risks and uncertainties, both general and specific to the matters discussed in this filing. These risks and uncertainties may cause the actual results of the Company to be materially different from any future results expressed or implied by such forward looking statements. Such risks and uncertainties include the national, regional and local economic climates, the ability to maintain rental rates and occupancy levels, competitive market forces, changes in market rates of interest, the ability of manufactured home buyers to obtain financing, the level of repossessions by manufactured home lenders and those risks and uncertainties referenced under the headings entitled "Risk Factors" contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2006, and the Company's filings with the Securities and Exchange Commission. The forward-looking statements contained in this Form 10-Q speak only as of the date hereof and the Company expressly disclaims any obligation to provide public updates, revisions or amendments to any forward-looking statements made herein to reflect changes in the Company's expectations of future events.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The Company's principal market risk exposure is interest rate risk. The Company mitigates this risk by maintaining prudent amounts of leverage, minimizing capital costs and interest expense while continuously evaluating all available debt and equity resources and following established risk management policies and procedures, which include the periodic use of derivatives. The Company's primary strategy in entering into derivative contracts is to minimize the variability that changes in interest rates could have on its future cash flows. The Company generally employs derivative instruments that effectively convert a portion of its variable rate debt to fixed rate debt. The Company does not enter into derivative instruments for speculative purposes.

The Company's variable rate debt totals \$146.2 million and \$188.2 million as of March 31, 2007 and 2006, respectively, which bears interest at various Prime and LIBOR/DMBS rates. If Prime or LIBOR/DMBS increased or decreased by 1.00 percent during the three months ended March 31, 2007 and 2006, the Company believes its interest expense would have increased or decreased by approximately \$1.5 million and \$1.8 million based on the \$153.2 million and \$182.1 million average balance outstanding under the Company's variable rate debt facilities for the three months ended March 31, 2007 and 2006, respectively.

The Company has entered into three separate interest rate swap agreements and an interest rate cap agreement. One of the swap agreements fixes \$25 million of variable rate borrowings at 4.84 percent through July 2009, another of the swap agreements fixes \$25 million of variable rate borrowings at 5.28 percent through July 2012 and the third swap agreement, which is only effective for so long as 90-day LIBOR is 7 percent or less, fixes \$25 million of variable rate borrowings at 3.88 percent through July 2007. The interest rate cap agreement has a cap rate of 11.79 percent, a notional amount of \$152.4 million and a termination date of May 29, 2007. Each of the Company's derivative contracts is based upon 90-day LIBOR.

ITEM 4. CONTROLS AND PROCEDURES

- (a) Under the supervision and with the participation of the Company's management, including the Chief Executive Officer, Gary A. Shiffman, and Chief Financial Officer, Jeffrey P. Jorissen, the Company evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as of the end of the period covered by this quarterly report, pursuant to Rule 13a-15 of the Securities Exchange Act of 1934 (the "Exchange Act"). Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective to ensure that information the Company is required to disclose in its filings with the Securities and Exchange Commission under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms, and to ensure that information required to be disclosed by the Company in the reports that it files under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.
- (b) There have been no changes in the Company's internal control over financial reporting during the quarterly period ended March 31, 2007, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II

ITEM 6. EXHIBITS REQUIRED BY ITEM 601 OF REGULATION S-K

See the attached Exhibit Index.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SUN COMMUNITIES, INC.

Dated: May 9, 2007

By: /s/Jeffrey P. Jorissen
Jeffrey P. Jorissen, Chief Financial
Officer and Secretary
(Duly authorized officer and principal
financial officer)

SUN COMMUNITIES, INC.
EXHIBIT INDEX

<u>Exhibit No</u>	<u>Description</u>
10.1	Promissory Note dated August 1, 2006 made by Sun Countryside Lake Lanier LLC in favor of ARCS Commercial Mortgage Co., L.P., in the original principal amount of \$16,850,000
10.2	Deed to Secured Debt and Security Agreement dated August 1, 2006 made by Sun Countryside Lake Lanier LLC in favor of ARCS Commercial Mortgage Co., L.P.
10.3	Future Advance, Renewal and Consolidation Promissory Note dated November 15, 2006 made by Miami Lakes Venture Associates in favor of Lehman Brothers Bank, FSB in the original principal amount of \$54,000,000
10.4	Notice of Future Advance, Mortgage Modification, Extension and Spreader Agreement and Security Agreement dated November 15, 2006 made by Miami Lakes Venture Associates in favor of Lehman Brothers Bank, FSB
10.5	Promissory Note dated January 4, 2007 made by High Point Associates, L.P., in favor of Lehman Brothers Bank, FSB in the original principal amount of \$17,500,000
10.6	Mortgage and Security Agreement dated January 4, 2007 made by High Point Associates, L.P., in favor of Lehman Brothers Bank, FSB
10.7	Promissory Note dated January 5, 2007 made by Sea Breeze Limited Partnership in favor of Lehman Brothers Bank, FSB in the original principal amount of \$20,000,000
10.8	Mortgage and Security Agreement dated January 5, 2007 made by Sea Breeze Limited Partnership in favor of Lehman Brothers Bank, FSB
31.1	Certification of Chief Executive Officer pursuant to Securities Exchange Act Rules 13a-14(a)/15(d)-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Securities Exchange Act Rules 13a-14(a)/15(d)-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

PROMISSORY NOTE
(Defeasance without Hyperamortization)

\$16,850,000.00

August 1, 2006

THIS PROMISSORY NOTE (the "Note") is made as of August 1, 2006 by **SUN COUNTRYSIDE LAKE LANIER LLC**, a Michigan limited liability company (the "Borrower"), having an address at 27777 Franklin Road, Suite 200, Southfield, Michigan 48034, Attention: Jonathan M. Colman, to and in favor of **ARCS COMMERCIAL MORTGAGE CO., L.P.**, a California limited partnership, its successors and assigns (the "Lender"), having an address at 26901 Agoura Road, Suite 200, Calabasas Hills, California 91301.

NOW, THEREFORE, FOR VALUE RECEIVED, Borrower unconditionally promises to pay to the order of Lender, without any counterclaim, setoff or deduction whatsoever, on the Maturity Date (as hereinafter defined), at the office of Lender, or at such other place as Lender may designate to Borrower in writing from time to time, the principal sum of **SIXTEEN MILLION EIGHT HUNDRED FIFTY THOUSAND AND NO/100 DOLLARS (\$16,850,000.00)**, together with interest on so much thereof as is from time to time outstanding and unpaid, from the date of the advance of the principal evidenced hereby, at the rate of **six and one hundred fifty-nine thousandths percent (6.159%)** per annum (the "Note Rate"), in lawful money of the United States of America, which shall at the time of payment be legal tender in payment of all debts and dues, public and private.

ARTICLE I
TERMS AND CONDITIONS

1.01 Payment of Principal and Interest. Interest shall be computed hereunder based on a three hundred sixty (360) day year and paid for the actual number of days elapsed for any whole or partial month in which interest is being calculated. In computing the number of days during which interest accrues, the day on which funds are initially advanced shall be included (regardless of the time of day such advance is made), and the day on which funds are repaid shall be included unless repayment is received prior to 4:00 p.m. Eastern time on that day. Payments in federal funds immediately available in the place designated for payment received by Lender prior to 2:00 p.m. local time on a business day at the place designated for payment shall be credited prior to close of business, while other payments may, at the option of Lender, not be credited until immediately available to Lender in federal funds at the place designated for payment prior to 2:00 p.m. local time at said place of payment on a day on which Lender (or if Lender designates another entity to receive payment on behalf of Lender, such entity) is open for business.

(a) If the advance of the principal amount evidenced by this Note is made on a date other than the sixth (6th) day of a calendar month, then Borrower shall pay to Lender contemporaneously with the execution hereof, interest at the Note Rate as follows: (a) if the advance of the principal amount evidenced by this Note is made prior to the sixth (6th) day of a calendar month, then Borrower shall pay to Lender contemporaneously with the execution hereof, interest at the Note Rate for a period from the date of such advance through and including the fifth (5th) day of the calendar month in which this Note is funded; or (b) if the advance of the

principal amount evidenced by this Note is made after the sixth (6th) day of a calendar month, then Borrower shall pay to Lender, contemporaneously with the execution hereof, interest at the Note Rate for a period from the date of such advance through and including the fifth (5th) day of the first calendar month following the month in which this Note is funded. Each subsequent interest accrual period shall commence on the sixth (6th) day of each calendar month during the term of the Note and shall end on and include the fifth (5th) day of the next occurring calendar month.

(b) Interest only payments, due in arrears, shall be due and payable beginning on **September 6, 2006**, and continuing on the sixth (6th) day of each and every month thereafter through and including **July 6, 2016**.

(c) On **August 6, 2016** (the "Maturity Date"), the entire outstanding principal balance hereof, together with all accrued but unpaid interest thereon, shall be due and payable in full.

Each sixth (6th) day of a calendar month during the term of this Note shall be herein referred to as a "Payment Date". For purposes of making payments hereunder, but not for purposes of calculating interest accrual periods, if the day on which such payment is due is not a Business Day, then amounts due on such date shall be due on the immediately preceding Business Day and with respect to payments of principal due on the Maturity Date, interest shall be payable at the Note Rate through and including the day immediately preceding such Maturity Date.

1.02 Prepayment.

(a) Prior to the Lockout Expiration Date (defined below), this Note may not be prepaid, either in whole or part, provided, however, Borrower shall have the right and option to have the Property (as hereinafter defined) released from the lien of the applicable Mortgage (as hereinafter defined) in accordance with the terms and conditions of the Defeasance provisions set forth in Section 1.35 of the applicable Mortgage. This Note may be prepaid in whole but not in part (except as otherwise specifically provided herein) at any time after the date that is six (6) months prior to the Maturity Date (the "Lockout Expiration Date"), provided (i) written notice of such prepayment is received by Lender not more than sixty (60) days and not less than thirty (30) days prior to the date of such prepayment; (ii) such prepayment is made on a Payment Date (or, if such prepayment is not received on a Payment Date, interest is paid through the next Payment Date) and is accompanied by all interest accrued hereunder and all other sums due hereunder or under the other Loan Documents (as hereinafter defined); and (iii) all of the Notes (as defined in the Mortgage) are simultaneously paid in full.

(b) (1) Except as otherwise expressly provided in Section 1.02(c) below, if, prior to the Lockout Expiration Date and following the acceleration of the Maturity Date of this Note after the occurrence of an Event of Default (as defined in any of the Mortgages), Borrower shall tender payment of an amount sufficient to satisfy all of the indebtedness evidenced by this Note and the other Loan Documents at any time prior to a sale of the Property, either through foreclosure or the exercise of the other remedies available to Lender under the Mortgages, such tender by Borrower shall be deemed to be voluntary and Borrower shall pay, in addition to the amounts payable hereunder and under the other Loan Documents, a prepayment

fee in an amount equal to the Required Yield Maintenance (as hereinafter defined) plus one percent (1%) of the principal amount being prepaid. Such prepayment fee shall be in addition to any other sums due hereunder or under any of the other Loan Documents. No tender of a prepayment of this Note with respect to which a prepayment fee is due shall be effective unless such prepayment is accompanied by the prepayment fee. For purposes hereof, "Required Yield Maintenance" shall mean an amount equal to the greater of (A) one percent (1.0%) of the principal amount being prepaid; and (B) the positive excess of (i) the present value ("PV") of all future installments of principal and/or interest, to the extent due under this Note, including the principal amount due at maturity (collectively, "All Future Payments"), discounted at an interest rate per annum equal to the Treasury Constant Maturity Yield Index published during the second full week preceding the date on which such premium is payable for instruments having a maturity coterminous with the remaining term of this Note, over (ii) the principal amount of this Note outstanding immediately before such prepayment [(PV of All Future Payments) - (principal balance at time of prepayment) = prepayment fee]. "Treasury Constant Maturity Yield Index" shall mean the average yield for "This Week" as reported by the Federal Reserve Board in Federal Reserve Statistical Release H.15 (519). If there is no Treasury Constant Maturity Yield Index for instruments having a maturity coterminous with the remaining term of this Note, then the index shall be equal to the weighted average yield to maturity of the Treasury Constant Maturity Yield Indices with maturities next longer and shorter than such remaining average life to maturity, calculated by averaging (rounded upward to the nearest 1/8 of 1% per annum) the yields of the relevant Treasury Constant Maturity Yield Indices (rounded upward to the nearest 1/8 of 1% per annum). In the event that there is no Treasury Constant Maturity Index available, Lender may select an alternate index as may be reasonable based on the available indices.

(2) In the event that any prepayment fee is due hereunder, Lender may at its option or on Borrower's request deliver to Borrower a statement setting forth the amount and determination of the prepayment fee, and, provided that Lender shall have in good faith applied the formula described above, Borrower shall not have the right to challenge the calculation or the method of calculation set forth in any such statement in the absence of manifest error. Such calculation may be made by Lender on any day during the thirty (30) day period preceding the date of such prepayment. Lender shall not be obligated or required to have actually reinvested the prepaid principal balance at the Treasury Constant Maturity Yield or otherwise as a condition to receiving the prepayment fee. With regard to any prepayment made hereunder (except for a prepayment resulting from the application of condemnation or insurance proceeds), if prior written notice required in clause (a)(i) above has not been received by Lender, the prepayment shall be increased by an amount equal to the lesser of (x) thirty (30) days' unearned interest computed on the outstanding principal balance of this Note so prepaid; and (y) unearned interest computed on the outstanding principal balance of this Note so prepaid for the period from, and including, the date of prepayment through the Maturity Date.

(c) Partial prepayments of this Note shall not be permitted, except partial prepayments resulting from Lender applying insurance or condemnation proceeds to reduce the outstanding principal balance of this Note as provided in the Mortgages, in which event no prepayment fee or premium shall be due. No notice of prepayment shall be required under the circumstance specified in the preceding sentence. No principal amount repaid may be reborrowed. All such proceeds shall be payable to Lender unless prohibited by law, regulation, operation of such policy or the specific terms of the Loan Documents. Partial payments of

principal shall be applied to the unpaid principal balance evidenced hereby on the next succeeding Payment Date following Lender's determination to apply insurance or condemnation proceeds to the partial prepayment of the outstanding principal balance of this Note.

(d) Except as otherwise expressly provided in Section 1.02(c), above, the prepayment fees provided above shall be due, to the extent permitted by applicable law, under any and all circumstances where all or any portion of this Note is paid prior to the Lockout Expiration Date, whether such prepayment is voluntary or involuntary, even if such prepayment results from Lender's exercise of its rights upon Borrower's default hereunder or upon an Event of Default under any of the Loan Documents and acceleration of the Maturity Date of this Note (irrespective of whether foreclosure proceedings have been commenced), and shall be in addition to any other sums due hereunder or under any of the other Loan Documents. No tender of a prepayment of this Note with respect to which a prepayment fee is due shall be effective unless such prepayment is accompanied by the prepayment fee.

1.03 Security. The indebtedness evidenced by this Note and the obligations created hereby are secured by, among other things, (a) that certain Deed to Secure Debt and Security Agreement (the "Mortgage"), dated of even date herewith, made by Borrower for the benefit of Lender, encumbering certain property located in Hall County, Georgia, (b) an Assignment of Leases and Rents, dated of even date herewith, made by Borrower for the benefit of Lender (the "Assignment"), (c) the other Deeds of Trust (as defined in the Mortgage), and (d) the Assignments (except for the Assignment) (as defined in the Mortgage). The Mortgage, the Assignment, that certain Cash Management Agreement dated of even date herewith, this Note, any indemnity and guaranty agreement, any hazardous substances indemnity agreement, and such other agreements, documents and instruments, together with any and all renewals, modifications, amendments, restatements, consolidations, substitutions, replacements, and extensions and modifications thereof, are herein referred to collectively as the "Loan Documents". All of the terms and provisions of the Loan Documents are incorporated herein by reference. Some of the Loan Documents are to be filed for record on or about the date hereof in the appropriate public records.

1.04 Default.

(a) It is hereby expressly agreed that should any default occur in the payment of principal or interest as stipulated above and such payment is not made when due, or should any other Event of Default occur under any of the Loan Documents, including without limitation, any sale, transfer, conveyance or other violation of the terms of Section 1.13 of the Mortgages, then a default shall exist hereunder, and in such event the indebtedness evidenced hereby, including all sums advanced or accrued hereunder or under any other Loan Document, and all unpaid interest accrued thereon, shall, at the option of Lender and without notice to Borrower, at once become due and payable and may be collected forthwith, whether or not there has been a prior demand for payment and regardless of the stipulated Maturity Date.

(b) In the event that any payment is not received by Lender on the date when due, then in addition to any default interest payments due hereunder, Borrower shall also pay to Lender a late charge in an amount equal to five percent (5.0%) of the amount of such overdue payment in order to defray Lender's expenses in addressing and processing the delinquent

payment and compensate Lender from the loss of the use of such payment. Such amount shall be secured by the Loan Documents, but shall not result in any extension of the Maturity Date nor a waiver of any other right or remedy available to Lender in connection with the Loan Documents.

(c) So long as any default exists hereunder, regardless of whether or not there has been an acceleration of the indebtedness evidenced hereby, and at all times after maturity of the indebtedness evidenced hereby (whether by acceleration or otherwise), interest shall accrue on the outstanding principal balance of this Note at a rate per annum equal to five percent (5.0%) plus the interest rate which would be in effect hereunder absent such default or maturity, or if such increased rate of interest may not be collected under applicable law, then at the maximum rate of interest, if any, which may be collected from Borrower under applicable law (the "Default Interest Rate"), and such default interest shall be immediately due and payable. Such amounts shall be secured by the Loan Documents, but shall not result in any extension of the Maturity Date nor a waiver of any other right or remedy available to Lender in connection with the Loan Documents.

(d) Borrower acknowledges that it would be extremely difficult or impracticable to determine Lender's actual damages resulting from any late payment or default, and such late charges and default interest are reasonable estimates of those damages and do not constitute a penalty. The remedies of Lender in this Note or in the other Loan Documents, or at law or in equity, shall be cumulative and concurrent, and may be pursued singly, successively or together in Lender's discretion. Time is of the essence with respect to all matters concerning or relating to this Note. Borrower agrees to pay on demand all expenses and costs of enforcement, administration and collection incurred or paid by Lender including, but not limited to, reasonable attorney's fees and disbursements of Lender, whether or not with respect to retained firms, the reimbursement for the expenses of in-house staff, or otherwise and whether or not any legal proceeding is commenced hereunder. The foregoing amounts shall be paid together with interest thereon at the Default Interest Rate from the date paid or incurred by Lender until such expenses are paid by the Borrower.

1.05 Exculpation. Notwithstanding anything in the Loan Documents to the contrary, but subject to the qualifications set forth below, Lender agrees that (i) Borrower shall be liable upon the indebtedness evidenced hereby and for the other obligations arising under the Loan Documents to the full extent (but only to the extent) of the security therefor, the same being all properties (whether real or personal), rights, estates and interests now or at any time hereafter securing the payment of this Note and/or the other obligations of Borrower under the Loan Documents (collectively, the "Property"); (ii) if default occurs in the timely and proper payment of all or any part of such indebtedness evidenced hereby or if an Event of Default occurs under any of the Loan Documents, any judicial proceedings brought by Lender against Borrower shall be limited to the preservation, enforcement and foreclosure, or any thereof, of the liens, security titles, estates, assignments, rights and security interests now or at any time hereafter securing the payment of this Note and/or the other obligations of Borrower under the Loan Documents, and confirmation of any sale under power of sale, and no attachment, execution or other writ of process shall be sought, issued or levied upon any assets, properties or funds of Borrower or its general or limited partners other than the Property except with respect to the liability described below in this section, and (iii) in the event of a foreclosure of such liens, security titles, estates, assignments, rights or security interests securing the payment of this Note and/or the other

obligations of Borrower under the Loan Documents, whether by judicial proceedings or exercise of power of sale, no judgment for any deficiency upon the indebtedness evidenced hereby shall be sought or obtained by Lender against Borrower, except with respect to the liability described below in this section; provided, however, that, notwithstanding the foregoing provisions of this section, Borrower shall be fully and personally liable and subject to legal action as follows:

(a) for proceeds paid under any insurance policies (or paid as a result of any other claim or cause of action against any person or entity) by reason of damage, loss or destruction to all or any portion of the Property, to the full extent of such proceeds not previously delivered to Lender, but which, under the terms of the Loan Documents, should have been delivered to Lender, but only to the extent Borrower or any affiliate of Borrower has control over the disbursement of such proceeds;

(b) for proceeds or awards resulting from the condemnation or other taking in lieu of condemnation of all or any portion of the Property, or any of them, to the full extent of such proceeds or awards not previously delivered to Lender, but which, under the terms of the Loan Documents, should have been delivered to Lender, but only to the extent Borrower or any affiliate of Borrower has control over the disbursement of such proceeds;

(c) for all tenant security deposits or other refundable deposits paid to or held by Borrower or any other person or entity in connection with leases of all or any portion of the Property which are not applied in accordance with the terms of the applicable lease or other agreement, but only to the extent Borrower or any affiliate of Borrower has control over the disbursement of such proceeds;

(d) for rent and other payments received from tenants under leases of all or any portion of the Property paid more than one (1) month in advance, but only to the extent Borrower or any affiliate of Borrower has control over the disbursement of such proceeds;

(e) for rents, issues, profits and revenues of all or any portion of the Property received or applicable to a period after any Event of Default or any other breach which with the giving of notice and passage of time would constitute an Event of Default under the Loan Documents which are not either applied to the ordinary and necessary expenses of owning and operating the Property or paid to Lender, but only to the extent Borrower or any affiliate of Borrower has control over the disbursement of such proceeds;

(f) for damage to the Property as a result of the intentional misconduct or gross negligence of Borrower or any of its principals, officers, general partners, managers or members, or any agent or employee of any such persons, or any removal of the Property in violation of the terms of the Loan Documents, to the full extent of the losses or damages actually incurred by Lender on account of such damage or removal;

(g) for Borrower's failure to pay any valid taxes, assessments, mechanic's liens, materialmen's liens or other claims which could create liens on any portion of the Property, accruing prior to the date Lender acquires actual possession and control of the Property, which would be superior to the lien or security title of the Mortgage corresponding to the Property or the other Loan Documents, to the full extent of the amount claimed by any such lien claimant;

(h) for all obligations and indemnities of Borrower under the Loan Documents relating to hazardous or toxic substances or compliance with environmental laws and regulations to the full extent of any losses or damages (including those resulting from diminution in value of any Property) incurred by Lender as a result of the existence of such hazardous or toxic substances or failure to comply with environmental laws or regulations;

(i) for fraud or material misrepresentation by any one or more of the following: (1) Borrower; (2) any guarantor or any indemnitor; (3) any principals, officers, general partners, managers, members or any beneficial owners of any of the parties described in this subsection; (4) any agent, employee or other person authorized or apparently authorized to make statements or representations on behalf of any of the parties described in this subsection, in each case, to the full extent of any losses, damages and expenses of Lender on account thereof; and

(j) the costs incurred in recovering such amounts, including, without limitation, attorneys' fees and expenses.

References herein to particular sections of the Loan Documents shall be deemed references to such sections as affected by other provisions of the Loan Documents relating thereto. Nothing contained in this section shall (i) be deemed to be a waiver, release or impairment of the indebtedness evidenced by this Note or the other obligations of Borrower under the Loan Documents or the lien of the Loan Documents upon the Property; or (ii) preclude Lender from foreclosing the Loan Documents in case of any default hereunder or any Event of Default under any of the Loan Documents or from enforcing any of the other rights of Lender except as stated in this section; or (iii) limit or impair in any way whatsoever the Indemnity and Guaranty Agreement or the Hazardous Substances Indemnity Agreement, each of even date herewith, executed and delivered in connection with the indebtedness evidenced by this Note or release, relieve, reduce, waive or impair in any way whatsoever, any obligation of any party to such Indemnity and Guaranty Agreement or Hazardous Substances Indemnity Agreement or any other agreement relating hereto. Borrower agrees that Lender shall not be deemed to have waived any right which Lender may have under Section 506(a), 506(b), 1111(b) or any other provisions of the U.S. Bankruptcy Code to file a claim for the full amount of the indebtedness evidenced by this Note and the other obligations of Borrower under the Loan Documents or to require that all collateral shall continue to secure all of such indebtedness and obligations.

1.06 Exceptions to Exculpation. Notwithstanding anything to the contrary in this Note or any of the Loan Documents, the obligations of Borrower under this Note and the other Loan Documents shall be fully recourse to Borrower in the event that: (i) the first full monthly payment of interest under this Note is not paid when due; (ii) Borrower fails to maintain its status as a single purpose entity, as required by, and in accordance with the terms and provisions of, the Mortgage executed by Borrower; (iii) Borrower fails to obtain Lender's prior written consent to any subordinate financing or other voluntary lien encumbering the Property; (iv) Borrower fails to obtain Lender's prior written consent to any assignment, transfer, or conveyance of the Property or any interest therein to the extent required by the Mortgage executed by Borrower; (v) a receiver, liquidator or trustee of Borrower or of any guarantor shall be appointed or if Borrower or any guarantor shall be adjudicated a bankrupt or insolvent, or if any petition for bankruptcy, reorganization or arrangement pursuant to federal bankruptcy law, or any similar

federal or state law, shall be filed by, consented to, or acquiesced in by, Borrower or any guarantor or if any proceeding for the dissolution or liquidation of Borrower or of any guarantor shall be instituted by Borrower or any guarantor; (vi) Borrower or any guarantor shall have colluded with other creditors to cause an involuntary bankruptcy filing with respect to Borrower or any guarantor; or (vii) Borrower defaults hereunder or under any of the other Loan Documents in any way and Borrower or any guarantor contests or in any way interferes with, directly or indirectly, any foreclosure action, Uniform Commercial Code sale and/or deed in lieu of foreclosure transaction commenced by Lender or with any other enforcement of Lender's rights, powers or remedies under any of the Loan Documents or under any document evidencing, securing or otherwise relating to any of the Collateral (whether by making any motion, bringing any counterclaim, claiming any defense, seeking any injunction or other restraint, commencing any action, seeking to consolidate any such foreclosure or other enforcement with any other action, or otherwise).

1.07 Delegation to Servicer. At the option of Lender, the Loan (as defined in the Mortgage) may be serviced by a servicer or a trustee (together with their respective successors and assigns, the "Servicer") selected by Lender and Lender may delegate all or any portion of its rights and responsibilities under this Note and the other Loan Documents to the Servicer pursuant to a servicing agreement between Lender and Servicer.

ARTICLE II GENERAL CONDITIONS

2.01 No Waiver; Amendment. No failure to accelerate the debt evidenced hereby by reason of default hereunder or an Event of Default under any of the Loan Documents, acceptance of a partial or past due payment, or indulgences granted from time to time shall be construed (i) as a novation of this Note or as a reinstatement of the indebtedness evidenced hereby or as a waiver of such right of acceleration or of the right of Lender thereafter to insist upon strict compliance with the terms of this Note; or (ii) to prevent the exercise of such right of acceleration or any other right granted hereunder or by any applicable laws; and Borrower hereby expressly waives the benefit of any statute or rule of law or equity now provided, or which may hereafter be provided, which would produce a result contrary to or in conflict with the foregoing. No extension of the time for the payment of this Note or any installment due hereunder, made by agreement with any person now or hereafter liable for the payment of this Note shall operate to release, discharge, modify, change or affect the original liability of Borrower under this Note, either in whole or in part unless Lender agrees otherwise in writing. This Note may not be changed orally, but only by a definitive written agreement signed by the party against whom enforcement of any waiver, change, modification or discharge is sought. Moreover, Borrower agrees that it shall not rely on any other memoranda, written analysis, proposal or conversation or action/inaction on the possibility that the Lender might ultimately agree to a waiver of any term or provision of this Note or any other Loan Document. As negotiations may be lengthy and complex, and may not produce a definitive written agreement, the Borrower should not forego any opportunities to repay the Note in reliance on any such negotiations or any proposed written agreement that is not fully-executed.

2.02 Secondary Market Transactions. Lender shall have the right, at Lender's expense, to include the Loan in a Secondary Market Transaction (as defined in the Mortgage), specifically

including, but not limited to a securitization where Lender causes the Note and Mortgage to be split into two or more notes, parts or interests, in whatever proportion Lender deems appropriate, which may be in the form of pari passu interests, senior and junior interests, or other interests, and thereafter to sell, assign, participate, syndicate or securitize all or any part of either such severed or split note and mortgage. Borrower agrees to cooperate with Lender to facilitate any such action, the transfer or disposition of the Loan, the rating of the Loan or of a securitization in which the Loan is included. Borrower's cooperation obligation shall continue until the Loan has been repaid in full, and shall include, without limitation, the following as each may be reasonably required from time to time by Lender, Servicer, or any holder of the note evidencing Borrower's obligations pursuant to the Loan:

(a) Consenting to non-material modifications to the Loan Documents or to Borrower's organizational documents, which modifications shall not increase Borrower's financial obligations nor diminish any of Borrower's rights in connection with the Loan; and

(b) Provision of information, reports, copies of notices and reasonable access to the collateral properties and to personnel of Borrower's property manager and of Borrower's constituent members.

2.03 Waivers. Presentment for payment, demand, protest and notice of demand, protest and nonpayment, notice of intent to accelerate maturity, notice of acceleration of maturity and all other notices are hereby waived by Borrower. Borrower hereby further waives and renounces, to the fullest extent permitted by law, all rights to the benefits of any statute of limitations and any moratorium, reinstatement, marshalling, forbearance, valuation, stay, extension, redemption, appraisal, exemption and homestead now or hereafter provided by the Constitution and laws of the United States of America and of each state thereof, both as to itself and in and to all of its property, real and personal, against the enforcement and collection of the obligations evidenced by this Note or the other Loan Documents.

2.04 Limit of Validity. The provisions of this Note and of all agreements between Borrower and Lender, whether now existing or hereafter arising and whether written or oral, including, but not limited to, the Loan Documents, are hereby expressly limited so that in no contingency or event whatsoever, whether by reason of demand or acceleration of the maturity of this Note or otherwise, shall the amount paid, or agreed to be paid ("Interest"), to Lender for the use, forbearance, retention or detention of the money loaned under this Note exceed the maximum amount permissible under applicable law. If, from any circumstance whatsoever, performance or fulfillment of any provision hereof or of any agreement between Borrower and Lender (including, without limitation, payment of any Required Yield Maintenance, any late charges or similar amounts) shall, at the time performance or fulfillment of such provision shall be due, exceed the limit for Interest prescribed by law or otherwise transcend the limit of validity prescribed by applicable law, then ipso facto the obligation to be performed or fulfilled shall be reduced to such limit and if, from any circumstance whatsoever, Lender shall ever receive anything of value deemed Interest by applicable law in excess of the maximum lawful amount, an amount equal to any excessive Interest shall be applied to the reduction of the principal balance owing under this Note in the inverse order of its maturity (whether or not then due) or at the option of Lender be paid over to Borrower, and not to the payment of Interest. All Interest (including any amounts or payments deemed to be Interest), contracted for, charged, taken,

reserved, paid or agreed to be paid to Lender shall, to the extent permitted by applicable law, be amortized, prorated, allocated and spread throughout the full term of this Note, including any extensions or renewals hereof, until payment in full of the principal balance of this Note so that the Interest thereof for such full period will not exceed the maximum amount permitted by applicable law. This Section 2.04 will control all agreements between Borrower and Lender.

2.05 Use of Funds. Borrower hereby warrants, represents and covenants that no funds disbursed hereunder shall be used for personal, family or household purposes and that amounts paid to Borrower hereunder shall be disbursed in accordance with the related sources and uses statement prepared by Lender and executed by Borrower on the date hereof and that no other funds are required to be disbursed hereunder.

2.06 Unconditional Payment. Borrower is and shall be obligated to pay principal, interest and any and all other amounts which become payable hereunder or under the other Loan Documents absolutely and unconditionally and without any abatement, postponement, diminution or deduction and without any reduction for counterclaim or setoff. In the event that at any time any payment received by Lender hereunder shall be deemed by a court of competent jurisdiction to have been a voidable preference or fraudulent conveyance under any bankruptcy, insolvency or other debtor relief law, then the obligation to make such payment shall survive any cancellation or satisfaction of this Note or return thereof to Borrower and shall not be discharged or satisfied with any prior payment thereof or cancellation of this Note, but shall remain a valid and binding obligation enforceable in accordance with the terms and provisions hereof, and such payment shall be immediately due and payable upon demand.

2.07 Further Assurances. Borrower shall execute and acknowledge (or cause to be executed and acknowledged) and deliver to Lender all documents, and take all actions, reasonably required by Lender from time to time to confirm the rights created under this Note and the other Loan Documents, to protect and further the validity, priority and enforceability of this Note and the other Loan Documents, to subject to the Loan Documents any property of Borrower intended by the terms of any one or more of the Loan Documents to be encumbered by the Loan Documents, or otherwise carry out the purposes of the Loan Documents and the transactions contemplated thereunder; provided, however, that no such further actions, assurances and confirmations shall increase, modify or change Borrower's obligations under this Note or under the other Loan Documents.

2.08 Submission to Jurisdiction; Waiver of Jury Trial.

(a) **BORROWER, TO THE FULL EXTENT PERMITTED BY LAW, HEREBY KNOWINGLY, INTENTIONALLY AND VOLUNTARILY, WITH AND UPON THE ADVICE OF COMPETENT COUNSEL, (A) SUBMITS TO PERSONAL JURISDICTION IN THE STATE WHERE THE PROPERTY IS LOCATED OVER ANY SUIT, ACTION OR PROCEEDING BY ANY PERSON ARISING FROM OR RELATING TO THIS NOTE; (B) AGREES THAT ANY SUCH ACTION, SUIT OR PROCEEDING MAY BE BROUGHT IN ANY STATE OR FEDERAL COURT OF COMPETENT JURISDICTION SITTING IN EITHER THE CITY OR THE COUNTY WHERE THE PROPERTY IS LOCATED; (C) SUBMITS TO THE JURISDICTION OF SUCH COURTS; AND (D) TO THE FULLEST EXTENT PERMITTED BY LAW,**

AGREES THAT BORROWER WILL NOT BRING ANY ACTION, SUIT OR PROCEEDING IN ANY OTHER FORUM AND BORROWER FURTHER CONSENTS AND AGREES TO SERVICE OF ANY SUMMONS, COMPLAINT OR OTHER LEGAL PROCESS IN ANY SUCH SUIT, ACTION OR PROCEEDING BY REGISTERED OR CERTIFIED U.S. MAIL, POSTAGE PREPAID, TO BORROWER AT THE ADDRESS FOR NOTICES DESCRIBED ON THE FIRST PAGE HEREOF, AND CONSENTS AND AGREES THAT SUCH SERVICE SHALL CONSTITUTE IN EVERY RESPECT VALID AND EFFECTIVE SERVICE (BUT NOTHING HEREIN SHALL AFFECT THE VALIDITY OR EFFECTIVENESS OF PROCESS SERVED IN ANY OTHER MANNER PERMITTED BY LAW).

(b) **BORROWER, TO THE FULL EXTENT PERMITTED BY LAW, HEREBY KNOWINGLY, INTENTIONALLY AND VOLUNTARILY, WITH AND UPON THE ADVICE OF COMPETENT COUNSEL, WAIVES, RELINQUISHES AND FOREVER FORGOES THE RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING BASED UPON, ARISING OUT OF, OR IN ANY WAY RELATING TO THIS NOTE OR ANY CONDUCT, ACT OR OMISSION OF LENDER OR BORROWER, OR ANY OF THEIR DIRECTORS, OFFICERS, PARTNERS, MEMBERS, EMPLOYEES, AGENTS OR ATTORNEYS, OR ANY OTHER PERSONS AFFILIATED WITH LENDER OR BORROWER, IN EACH OF THE FOREGOING CASES, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE.**

2.09 Miscellaneous. This Note shall be interpreted, construed and enforced according to the laws of the State in which the Property is located and the applicable laws of the United States of America. The terms and provisions hereof shall be binding upon and inure to the benefit of Borrower and Lender and their respective heirs, executors, legal representatives, successors, successors-in-title and assigns, whether by voluntary action of the parties or by operation of law. To the extent any notice is provided hereunder or under any other Loan Document and Borrower knows or has reason to believe that any of the foregoing entities are acting as or on behalf of Lender hereunder, in addition to Lender, Borrower shall provide such notice to such entity. As used herein, the terms "Borrower" and "Lender" shall be deemed to include their respective successors, successors-in-title and assigns, whether by voluntary action of the parties or by operation of law. Subject to the limitations set forth in Section 1.05 above, if Borrower consists of more than one person or entity, each shall be jointly and severally liable to perform the obligations of Borrower under this Note. All personal pronouns used herein, whether used in the masculine, feminine or neuter gender, shall include all other genders; the singular shall include the plural and vice versa. Titles of articles and sections are for convenience only and in no way define, limit, amplify or describe the scope or intent of any provisions hereof. Capitalized terms used in this Note and not otherwise defined herein shall have the meaning ascribed to them in the Mortgage or in the other Loan Documents. Time is of the essence with respect to all provisions of this Note, the Mortgage and the other Loan Documents. This Note and the other Loan Documents contain the entire agreements between the parties hereto relating to the subject matter hereof and thereof and all prior agreements relative hereto and thereto which are not contained herein or therein are terminated.

2.10 Attorney Fees. As used in this Note and in other Loan Documents, "reasonable" attorneys' fees of Lender's counsel shall mean the actual reasonable attorneys' fees of Lender's

counsel billed at standard hourly rates of such counsel, rather than a percentage of principal and interest as provided in O.C.G.A. §13-1-11(a)(2).

[No Further Text on this Page; Signature Page Follows]

IN WITNESS WHEREOF, the Borrower, intending to be legally bound hereby, has duly executed this Note under seal to be effective as of the day and year first written above.

BORROWER:

SUN COUNTRYSIDE LAKE LANIER LLC,
a Michigan limited liability company

By: SUN QRS COUNTRYSIDE MANAGER, INC., a
Michigan corporation,
its Manager

By: _____ (SEAL)
Name: Jonathan M. Colman
Title: Executive Vice President

WHEN RECORDED, RETURN TO:

Benjamin F.S. Herd, Esq.
Winstead Sechrest & Minick P.C.
5400 Renaissance Tower
1201 Elm Street
Dallas, Texas 75270

TO BE RECORDED IN THE
SECURITY DEED RECORDS OF
HALL COUNTY, GEORGIA

DEED TO SECURE DEBT AND SECURITY AGREEMENT

Loan No. CF3655000

THIS DEED TO SECURE DEBT AND SECURITY AGREEMENT (this "Security Deed") executed on August 1, 2006, but to be effective as of August 1, 2006, by **SUN COUNTRYSIDE LAKE LANIER LLC**, a Michigan limited liability company, as grantor for all purposes hereunder ("Borrower"), whose address is 27777 Franklin Road, Suite 200, Southfield, Michigan 48034, Attention: Jonathan M. Colman, in favor of **ARCS COMMERCIAL MORTGAGE CO., L.P.**, a California limited partnership, as grantee for all purposes hereunder ("Lender"), whose address is 26901 Agoura Road, Suite 200, Calabasas Hills, California 91301. For all state law, statutory and other purposes hereunder, (i) the term "Borrower" as used herein shall be deemed to mean a grantor of the Property as described herein the same as if the term "grantor" were used in lieu of the term "Borrower" throughout this Security Deed, and (ii) the term "Lender" as used herein shall be deemed to mean a grantee of the Property with all of the rights conferred hereby the same as if the term "grantee" were used in lieu of the term "Lender" throughout this Security Deed.

WITNESSETH:

THAT FOR AND IN CONSIDERATION OF THE SUM OF TEN AND NO/100 DOLLARS (\$10.00), AND OTHER VALUABLE CONSIDERATION, INCLUDING THE INDEBTEDNESS HEREIN RECITED AND THE TRUST HEREIN CREATED, THE RECEIPT AND SUFFICIENCY OF WHICH ARE HEREBY ACKNOWLEDGED, BORROWER HEREBY IRREVOCABLY GRANTS, BARGAINS, SELLS, CONVEYS, TRANSFERS, PLEDGES, SETS OVER AND ASSIGNS, AND GRANTS A SECURITY INTEREST, TO AND IN FAVOR OF LENDER, ITS SUCCESSORS AND ASSIGNS, with power of sale, in all of Borrower's estate, right, title and interest in, to and under any and all of the following described property, whether now owned or hereafter acquired (collectively, the "Property"):

- All that certain real property situated in the County of Hall, State of Georgia, more particularly described on Exhibit A attached hereto and incorporated herein by this reference (the "Real Estate"), together with all of the easements, rights, privileges, franchises, tenements, hereditaments and appurtenances now or hereafter thereunto belonging or in any way appertaining thereto and all of the estate, right, title, interest, claim and demand whatsoever of Borrower therein or thereto, either at law or in equity, in possession or in expectancy, now owned or hereafter acquired;

- All structures, buildings and improvements of every kind and description owned by Borrower now or at any time hereafter located or placed on the Real Estate (the "Improvements");

- Borrower's interest in all easements, rights-of-way, strips and gores of land, vaults, streets, ways, alleys, passages, sewer rights, and other emblements now or hereafter located on the Real Estate or under or above the same or any part or parcel thereof, and all estates, rights, titles, interests, tenements, hereditaments and appurtenances, reversions and remainders whatsoever, in any way belonging, relating or appertaining to the Property or any part thereof, or which hereafter shall in any way belong, relate or be appurtenant thereto, whether now owned or hereafter acquired by Borrower;

- All furniture, furnishings, fixtures, goods, equipment, inventory or personal property owned by Borrower and now or hereafter located on, attached to or used in or about the Improvements, including, but not limited to, all machines, engines, boilers, dynamos, elevators, stokers, tanks, cabinets, awnings, screens, shades, blinds, carpets, draperies, lawn mowers, and all appliances, plumbing, heating, air conditioning, lighting, ventilating, refrigerating, disposals and incinerating equipment, and all fixtures and appurtenances thereto, and such other goods and chattels and personal property owned by Borrower as are now or hereafter used or furnished in operating the Improvements, or the activities conducted therein, and all building materials and equipment hereafter situated on or about the Real Estate or Improvements, and all warranties and guaranties relating thereto, and all additions thereto and substitutions and replacements therefor (exclusive of any of the foregoing owned or leased by tenants of space in the Improvements);

- Borrower's interest in all water, water courses, ditches, wells, reservoirs and drains and all water, ditch, well, reservoir and drainage rights and powers which are appurtenant

to, located on, under or above or used in connection with the Real Estate or the Improvements, or any part thereof, together with (i) all utilities, utility lines, utility commitments, utility capacity, capital recovery charges, impact fees and other fees paid in connection with same, (ii) reimbursements or other rights pertaining to utility or utility services provided to the Real Estate and/or Improvements and (iii) the present or future use or availability of waste water capacity, or other utility facilities to the extent same pertain to or benefit the Real Estate and/or Improvements, including, without limitation, all reservations of or commitments or letters covering any such use in the future, whether now existing or hereafter created or acquired;

- Borrower's interest in all minerals, crops, timber, trees, shrubs, flowers and landscaping features now or hereafter located on, under or above the Real Estate;
- All cash funds, deposit accounts and other rights and evidence of rights to cash, now or hereafter created or held by Lender pursuant to this Security Deed or any other of the Loan Documents (as hereinafter defined), including, without limitation, all funds now or hereafter on deposit in the Reserves (hereinafter defined);
- Borrower's interest in all leases, licenses, tenancies, concessions and occupancy agreements of the Real Estate or the Improvements now or hereafter entered into (severally, a "Lease", and collectively, the "Leases") and all rents, royalties, issues, profits, bonus money, revenue, income, accounts receivable and other benefits (collectively, the "Rents" or "Rents and Profits") of the Real Estate, the Improvements, or the fixtures or equipment, now or hereafter arising from the use or enjoyment of all or any portion thereof or from any Lease (including, without limitation, oil, gas and mineral leases), license, tenancy, concession, occupancy agreement or other agreement pertaining thereto or arising from any of the Contracts (as hereinafter defined) or any of the General Intangibles (as hereinafter defined) and all cash or securities (the "Security Deposits") deposited, to the extent applicable, into the security deposit account (the "Security Deposit Account") that secure performance by the tenants, lessees or licensees, as applicable, of their obligations under any Leases, licenses, concessions or occupancy agreements, or which may be available to Borrower or its designee to effect repairs or maintenance, whether said cash or securities are to be held until the expiration of the terms of said Leases, licenses, concessions or occupancy agreements or applied to one or more of the installments of rent coming due prior to the expiration of said terms, subject to, however, the provisions contained in Section 1.11 of this Security Deed;
- Borrower's interest in all contracts and agreements now or hereafter entered into covering any part of the Real Estate or the Improvements (collectively, the "Contracts") and all revenue, income and other benefits thereof, including, without limitation, management agreements, service contracts, maintenance contracts, equipment leases, personal property leases and any contracts or documents relating to construction on any part of the Real Estate or the Improvements (including plans, specifications, studies, drawings, surveys, tests, operating and other reports, bonds and governmental approvals) or to the management or operation of any part of the Real Estate or the Improvements;
- Borrower's interest in all present and future monetary deposits given to any public or private utility with respect to utility services furnished to any part of the Real Estate or the Improvements;

- Borrower's interest in all present and future funds, accounts, instruments (including, without limitation, promissory notes), investment property, letter-of-credit rights, letters of credit, money, supporting obligations, accounts receivable, documents, causes of action, claims, general intangibles (including, without limitation, payment intangibles and software, trademarks, trade names, servicemarks and symbols now or hereafter used in connection with any part of the Real Estate or the Improvements, all names by which the Real Estate or the Improvements may be operated or known, all rights to carry on business under such names, and all rights, interest and privileges which Borrower has or may have as developer or declarant under any covenants, restrictions or declarations now or hereafter relating to the Real Estate or the Improvements) and all notes or chattel paper (whether tangible or electronic) now or hereafter arising from or by virtue of any transactions related to the Real Estate or the Improvements (collectively, the "General Intangibles");

- Borrower's interest in all water taps, sewer taps, certificates of occupancy, permits, special permits, uses, licenses, franchises, certificates, consents, approvals and other rights and privileges now or hereafter obtained in connection with the Real Estate or the Improvements and all present and future warranties and guaranties relating to the Improvements or to any equipment, fixtures, furniture, furnishings, personal property or components of any of the foregoing now or hereafter located or installed on the Real Estate or the Improvements;

- Borrower's interest in all building materials, supplies and equipment now or hereafter placed on the Real Estate or in the Improvements and all architectural renderings, models, drawings, plans, specifications, studies and data now or hereafter relating to the Real Estate or the Improvements;

- All right, title and interest of Borrower in any insurance policies or binders now or hereafter relating to the Property including any unearned premiums thereon;

- Borrower's interest in all proceeds, products, substitutions and accessions (including claims and demands therefor) of the conversion, voluntary or involuntary, of any of the foregoing into cash or liquidated claims, including, without limitation, proceeds of insurance and condemnation awards; and

- All other or greater rights and interests of every nature in the Real Estate or the Improvements and in the possession or use thereof and income therefrom, whether now owned or hereafter acquired by Borrower.

TO HAVE AND TO HOLD the Property and all parts, rights, members and appurtenances thereof, to the use, benefit and behalf of Lender and the successors and assigns of Lender, IN FEE SIMPLE Forever; and Borrower covenants that Borrower is lawfully seized and possessed of the Property as aforesaid, and has good right to convey the same, that the same is unencumbered except for the Permitted Exceptions (hereinafter defined), and that Borrower does warrant and will forever defend the title thereto against the claims of all persons whomsoever, except as to the Permitted Exceptions (hereinafter defined).

This conveyance is intended to operate as and is to be construed as a deed passing the title to the Property to Lender and is made under those provisions of the existing laws of the

State of Georgia relating to deeds to secure debt (including, e.g., O.C.G.A. § 44-14-60), and not as a mortgage, and is given to secure the following described indebtedness:

- The debt evidenced by those certain Promissory Notes described on Exhibit C attached hereto and made a part hereof for all purposes (such Promissory Notes, together with any and all renewals, modifications, amendments, restatements, consolidations, substitutions, replacements, and extensions thereof, are hereinafter collectively referred to as the "Notes" and any one of the Notes is individually referred to as a "Note") each dated as indicated on Exhibit C, together with interest (including, without limitation, interest at the Default Interest Rate (as defined in each of the Notes)) and any fees as therein provided;

- The full and prompt payment and performance of all of the provisions, agreements, covenants and obligations herein contained and contained in any other agreements, documents or instruments now or hereafter evidencing, securing or otherwise relating to the indebtedness evidenced by the Notes (the Notes, this Security Deed and the Other Deeds of Trust (as defined on Exhibit C, the Assignments (as defined on Exhibit C) and such other agreements, documents and instruments, together with any and all renewals, modifications, amendments, restatements, consolidations, substitutions, replacements, and extensions and modifications thereof, are hereinafter collectively referred to as the "Loan Documents") and the payment of all other sums therein covenanted to be paid, including, without limitation, any applicable yield maintenance premiums or prepayment fees;

- Any and all future or additional advances (whether or not obligatory) made by Lender to protect or preserve the Property, or the lien or security interest created hereby on the Property, or for taxes, assessments, operating expenses or insurance premiums as hereinafter provided or for performance of any of Borrower's obligations hereunder or under the other Loan Documents or for any other purpose provided herein or in the other Loan Documents (whether or not the original Borrower remains the owner of the Property at the time of such advances), together with interest thereon at the Default Interest Rate; and

- Any and all other indebtedness now owing or which may hereafter be owing by Borrower (but not any affiliate of Borrower) to Lender and originated by Lender, however and whenever incurred or evidenced, whether express or implied, absolute or contingent, or due or to become due, and all renewals, modifications, amendments, restatements, consolidations, substitutions, replacements and extensions thereof.

(All of the sums referred to in Paragraphs (1) through (4) above are herein sometimes referred to as the "secured indebtedness" or the "indebtedness secured hereby").

PROVIDED, HOWEVER, that if the principal and interest and all other sums due or to become due under the Notes, including, without limitation, any prepayment fees required pursuant to the terms of the Notes, shall have been paid at the time and in the manner stipulated therein and all other sums payable hereunder and all other indebtedness secured hereby shall have been paid and all other covenants contained in the Loan Documents shall have been performed, then, in such case, this Security Deed shall be canceled and surrendered.

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COVENANTS OF BORROWER

For the purpose of further securing the indebtedness secured hereby and for the protection of the security of this Security Deed, for so long as the indebtedness secured hereby or any part thereof remains unpaid, Borrower represents, covenants and agrees as follows:

1.1 Warranties of Borrower. Borrower, for itself and its successors and assigns, does hereby represent, warrant and covenant to and with Lender, its successors and assigns, that:

(a) Organization and Existence. Borrower is a duly organized, validly existing entity in good standing under the laws of the state where it was organized and in all other jurisdictions in which Borrower is transacting business.

(b) Authorization. Borrower has the power and authority to execute, deliver and perform the obligations imposed on it under the Loan Documents and to consummate the transactions contemplated by the Loan Documents and has taken all necessary actions in furtherance thereof including, without limitation, that those partners, shareholders or members of Borrower whose approval or consent is required by the terms of Borrower's organizational documents have duly approved or consented to the transactions contemplated by the Loan Documents and have authorized execution and delivery thereof by the respective signatories. To the best of Borrower's knowledge, no other consent by any local, state or federal agency is required in connection with the execution and delivery of the Loan Documents.

(c) Valid Execution and Delivery. All of the Loan Documents requiring execution by Borrower have been duly and validly executed and delivered by Borrower.

(d) Enforceability. All of the Loan Documents constitute valid, legal and binding obligations of Borrower and are fully enforceable against Borrower in accordance with their terms, subject only to bankruptcy laws and general principles of equity.

(e) No Defenses. The Notes, this Security Deed and the other Loan Documents are not subject to any right of rescission, set-off, counterclaim or defense, nor would the operation of any of the terms of the Notes, this Security Deed or any of the other Loan Documents, or the exercise of any right thereunder, render this Security Deed unenforceable, in whole or in part, or subject to any right of rescission, set-off, counterclaim or defense, including the defense of usury.

(f) Defense of Usury. Borrower knows of no facts that would support a claim of usury to defeat or avoid its obligation to repay the principal of, interest on, and other sums or amounts due and payable under, the Loan Documents.

(g) No Conflict/Violation of Law. The execution, delivery and performance of the Loan Documents by the Borrower will not cause or constitute a default under or violate the organizational documents of Borrower, any indemnitor or any general partner, shareholder or managing member of Borrower or any indemnitor. The execution, delivery and performance of the obligations imposed on Borrower under the Loan Documents will not cause Borrower to be

in default, including after due notice or lapse of time or both, under the provisions of any agreement, judgment or order to which Borrower is a party or by which Borrower is bound.

(h) Compliance with Applicable Laws and Regulations. All of the Improvements and the use of the Property by the Borrower comply in all material respects with, and shall remain in material compliance with, all applicable statutes, rules, regulations and private covenants now or hereafter relating to the ownership, construction, use or operation of the Property, including all applicable statutes, rules and regulations pertaining to requirements for equal opportunity, anti-discrimination, fair housing, environmental protection, zoning and land use. The Improvements comply in all material respects with, and shall remain in material compliance with, applicable health, fire and building codes. There is no evidence of any illegal activities relating to controlled substances on the Property. All certifications, permits, licenses and approvals, including, without limitation, certificates of completion and occupancy permits required for the legal use, occupancy and operation of the Property for the use currently being made thereof have been obtained and are in full force and effect. All of the Improvements comply with all material requirements of any applicable zoning and subdivision laws and ordinances.

(i) Consents Obtained. All consents, approvals, authorizations, orders or filings with any court or governmental or administrative agency or body, if any, required for the execution, delivery and performance of the Loan Documents by Borrower have been obtained or made.

(j) No Litigation. Except as shown on Exhibit D attached hereto and made a part hereof, there are no pending actions, suits or proceedings, arbitrations or governmental investigations against the Property, Borrower or any guarantor of Borrower an adverse outcome of which would materially affect (i) the Borrower's performance under the Notes, the Deeds of Trust or the other Loan Documents; (ii) the Property; or (iii) the ability of the Property to continue to generate income, or continue in operation, in a manner consistent with current operations.

(k) Title. The Borrower has good and marketable fee simple title to the Property, subject only to those matters expressly listed as exceptions to title or subordinate matters in the title insurance policy accepted by Lender in connection with this Security Deed (all such items, excluding therefrom, however, all preprinted and/or standard exceptions, are herein referred to as the "Permitted Exceptions"). The possession of the Property has been peaceful and undisturbed and title thereto has not been disputed or questioned. Further, Borrower has full power and lawful authority to grant, bargain, sell, convey, assign, transfer and mortgage its interest in the Property in the manner and form hereby done or intended. Borrower will preserve its interest in and title to the Property and will forever warrant and defend the same to Lender against any and all claims whatsoever and will forever warrant and defend the validity and priority of the lien and security interest created herein against the claims of all persons and parties whomsoever, subject to the Permitted Exceptions. The foregoing warranty of title shall survive the foreclosure of this Security Deed and shall inure to the benefit of and be enforceable by Lender in the event Lender acquires title to the Property pursuant to any foreclosure.

- (l) Permitted Exceptions. The Permitted Exceptions do not and will not materially and adversely affect (1) the ability of the Borrower to pay in full the principal and interest on the Notes in a timely manner; or (2) the current use of the Property, the current operation of the Property or the value of the Property.
- (m) First Lien. Upon the execution by the Borrower and the recording of this Security Deed, and upon the execution and filing of UCC-1 financing statements or amendments thereto, the Lender will have a valid first lien on the Property and a valid security interest in all personal property encumbered hereby, subject to no liens, charges or encumbrances other than the Permitted Exceptions.
- (n) ERISA. The Borrower has made and shall continue to make all required contributions to all employee benefit plans established or maintained by it, if any, and the Borrower has no knowledge of any material liability which has been incurred by the Borrower which remains unsatisfied for any taxes or penalties with respect to any such employee benefit plan or any such multi-employer plan, and each such plan has been administered in material compliance with its terms and the applicable provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and any other applicable federal or state law.
- (o) Contingent Liabilities. The Borrower has no known material contingent liabilities.
- (p) No Other Obligations. The Borrower has no material financial obligation under any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Borrower is a party or by which the Borrower or the Property is otherwise bound, other than obligations incurred in the ordinary course of the operation of the Property and other than obligations under this Security Deed, the Notes and the other Loan Documents.
- (q) Fraudulent Conveyance. The Borrower (1) has not entered into the Loans (as defined on Exhibit C) or any Loan Document with the actual intent to hinder, delay, or defraud any creditor; and (2) received reasonably equivalent value in exchange for its obligations under the Loan Documents. Giving effect to the Loans contemplated by the Loan Documents, the fair saleable value of the Borrower's assets exceed and will, immediately following the execution and delivery of the Loan Documents, exceed the Borrower's total liabilities, including, without limitation, subordinated, unliquidated, disputed or contingent liabilities (if permitted hereunder). The fair saleable value of the Borrower's assets is and will, immediately following the execution and delivery of the Loan Documents, be greater than the Borrower's probable liabilities, including the maximum amount of its contingent liabilities or its debts as such debts become absolute and matured (if permitted hereunder). The Borrower's assets do not and, immediately following the execution and delivery of the Loan Documents will not, constitute unreasonably small capital to carry out its business as conducted or as proposed to be conducted. The Borrower does not intend to, and does not believe that it will, incur debts and liabilities (including, without limitation, contingent liabilities and other commitments) beyond its ability to pay such debts as they mature (taking into account the timing and amounts to be payable on or in respect of obligations of the Borrower).

(r) Investment Company Act. The Borrower is not (1) an "investment company" or a company "controlled" by an "investment company," within the meaning of the Investment Company Act of 1940, as amended; (2) a "holding company" or a "subsidiary company" of a "holding company" or an "affiliate" of either a "holding company" or a "subsidiary company" within the meaning of the Public Utility Holding Company Act of 1935, as amended; or (3) subject to any other federal or state law or regulation which purports to restrict or regulate its ability to borrow money.

(s) Access/Utilities. The Property has adequate rights of access to public ways and is served by adequate water, sewer, electric and/or gas, telephone, cable (where appropriate) and storm drain facilities. All public and/or private utilities, as the case may be, necessary to the continued use and enjoyment of the Property as presently used and enjoyed are located in the public right-of-way abutting the Property, and all such utilities are connected so as to serve the Property without passing over other property. All roads, and access to such roads, necessary for the current utilization of the Property for its current purpose have been completed and dedicated to public use and accepted by all governmental authorities or are the subject of access easements for the benefit of the Property without any further condition or cost to Borrower or tenants.

(t) Taxes Paid. Borrower has filed all federal, state, county and municipal tax returns required to have been filed by Borrower or with respect to the Property, and has paid all taxes prior to the delinquency date thereof pursuant to such returns or to any notice of assessment relating to the Property, and Borrower has no knowledge of any basis for additional assessment with respect to such taxes. Further, the Property is free from delinquent water charges, sewer rents, taxes and assessments.

(u) Single Tax Lot. The Real Estate consists of a single tax lot and no portion of said tax lot covers property other than the Real Estate or a portion of the Real Estate and no portion of the Real Estate lies in any other tax lot.

(v) Special Assessments. Except as disclosed in the title insurance policy, there are no pending or, to the knowledge of the Borrower, proposed special or other assessments for public improvements or otherwise affecting the Property, nor, to the knowledge of the Borrower, are there any contemplated improvements to the Property that may result in such special or other assessments.

(w) Flood Zone. The Property is not located in a flood hazard area as defined by the Federal Insurance Administration, except as shown in the survey of the Property delivered to Lender in connection with this Security Deed.

(x) Seismic Exposure. The Real Estate is not located in Zone 3 or Zone 4 of the "Seismic Zone Map of the U.S."

(y) Misstatements of Fact. No statement made in the Loan Documents contains any untrue statement of a material fact or omits to state any material fact necessary to make statements contained herein or therein not misleading. There is no fact presently known to the Borrower which has not been disclosed which materially and adversely affects, nor as far as

the Borrower can foresee, is likely to adversely affect the business, operations or condition (financial or otherwise) of Borrower. Further, and in clarification of the foregoing, all reports, certificates, affidavits, statements and other data furnished by Borrower to Lender, or its respective agents, in connection with the Loan are true and correct in all material respects and do not include or omit any fact or circumstance, which inclusion or omission, respectively, would make the statements therein misleading.

(z) Condition of Improvements. The Property has not been damaged by fire, water, wind or other cause of loss, and any previous damage to the Property has been fully restored. The Improvements are structurally sound, in good repair and free of defects in materials and workmanship and have been constructed and installed in substantial compliance with the plans and specifications relating thereto. All major building systems located within the Improvements, including, without limitation, any heating and air conditioning systems and the electrical and plumbing systems, are in good working order and condition.

(aa) No Insolvency or Judgment. None of Borrower, any general partner or member of Borrower, or any guarantor of any of the Loans is currently (a) the subject of or a party to any completed or pending bankruptcy, reorganization or insolvency proceeding; or (b) the subject of any unsatisfied judgment of record or docketed in any court of the state in which the Property is located or in any other court located in the United States. The proposed Loans will not render the Borrower nor any general partner or member of Borrower insolvent. As used in this Security Deed, the term "insolvent" means that the sum total of all of an entity's liabilities (whether secured or unsecured, contingent or fixed, or liquidated or unliquidated) is in excess of the value of all such entity's non-exempt assets, i.e., all of the assets of the entity that are available to satisfy claims of creditors.

(bb) No Condemnation. No part of the Property has been taken in condemnation or other like proceeding to an extent which would impair the value of the Property, the Security Deed or the Loans or the usefulness of the Property for the purposes contemplated by the loan application relating to the Countryside Lake Lanier Loan (as defined on Exhibit C) (the "Loan Application"), nor is any proceeding pending, known to be threatened or known to be contemplated for the partial or total condemnation or taking of the Property.

(cc) No Labor or Materialmen Claims. All parties furnishing labor and materials have been paid in full and, except for such liens or claims insured against by the policy of title insurance to be issued in connection with the Loan, there are no mechanics', laborers' or materialmen's liens or claims outstanding for work, labor or materials affecting the Property, whether prior to, equal with or subordinate to the lien of the Security Deed.

(dd) No Purchase Options. No tenant, person, party, firm, corporation or other entity has an option to purchase the Property, any portion thereof or any interest therein.

(ee) Leases. The Property is not subject to any leases, subleases, licenses, concessions or other agreements related to the leasing or renting of the Property or any portion thereof, except as set forth on the rent roll provided to Lender and certified by Borrower of even date herewith (the "Rent Roll"). No person has any possessory interest in the Property or right to occupy the same, except pursuant to the leases shown on the Rent Roll ("Existing Leases"). As

of the date hereof, (i) the Borrower is the owner and holder of the landlord's interest under the Existing Leases; (ii) there are no prior assignments of all or any portion of the Existing Leases or any portion of the Rents and Profits which are presently outstanding and have priority over the assignment of leases and rents contained herein in Section 1.11 given by Borrower to Lender; (iii) all Rents due and payable under each Existing Lease have been paid in full and no said Rents have been paid more than one (1) month in advance of the due dates thereof and (iv) there are no offsets or defenses to the payment of any portion of the Rents. All Security Deposits with respect to the Property on the date hereof have, to the extent legally required, been transferred to the Security Deposit Account and Borrower is in material compliance with all legal requirements relating to such Security Deposits including, to the extent applicable, the requirements of 68 P.S. § 250.511. The representations set forth in this Section are in addition to those set forth in Section 1.12 of this Security Deed.

(ff) Intentionally deleted.

(gg) Boundary Lines. No improvements on adjoining properties encroach upon the Property, and no easements or other encumbrances upon the Real Estate encroach upon any of the Improvements, so as to affect the value or marketability of the Property except those which are insured against by title insurance.

(hh) Survey. To Borrower's knowledge, the survey of the Property delivered to Lender in connection with this Security Deed does not fail to reflect any material matter affecting the Property or the title thereto.

(ii) Forfeiture. There has not been and shall never be committed by Borrower or any other person in occupancy of or involved with the operation or use of the Property and legitimately acting on behalf of Borrower any act or omission affording the federal government or any state or local government the right of forfeiture as against the Property or any part thereof or any monies paid in performance of Borrower's obligations under any of the Loan Documents.

(jj) Use of Rents and Profits. All Rents and Profits generated by or derived from the Property shall first be utilized solely for current expenses directly attributable to the ownership and operation of the Property, including, without limitation, current expenses relating to Borrower's liabilities and obligations with respect to this Security Deed and the other Loan Documents, and none of the Rents and Profits generated by or derived from the Property shall be diverted by Borrower and utilized for any other purposes unless all such current expenses attributable to the ownership and operation of the Property have been fully paid and satisfied. Any license agreements which generate income with respect to the Property, including cable licenses or similar arrangements, are not prepaid and the benefits thereof have been assigned for the benefit of Lender.

(kk) No Broker. No financial advisors, brokers, underwriters, placement agents, agents or finders have been dealt with by the Borrower in connection with the Loans.

(ll) Intentionally deleted.

(mm) Conviction of Criminal Acts. Each of Borrower and any indemnitor and guarantor of Borrower's obligations under the Loan Documents has never been convicted of a

crime and is not currently the subject of any pending or, to Borrower's knowledge, threatened criminal investigation or proceeding.

(nn) Security Agreements. There are no security agreements or financing statements affecting any of the Property other than (i) as disclosed in writing by Borrower to Lender prior to the date hereof and (ii) the security agreements and financing statements created in favor of Lender.

(oo) Homestead. The Property forms no part of any property owned, used or claimed by Borrower as a residence or business homestead and is not exempt from forced sale under the laws of the State in which the Real Estate is located. Borrower hereby disclaims and renounces each and every claim to all or any portion of the Property as a homestead.

(pp) Contracts. Borrower will comply with all of its obligations under all Contracts which are material to the operation of the Property in accordance with Borrower's current practice, and with all material obligations under all other Contracts.

(qq) No Margin Stock. None of the proceeds of the indebtedness secured hereby will be used for the purpose of purchasing or carrying "margin stock" within the meaning of Regulation U or a "margin security" with the meaning of Regulation T issued by the Board of Governors of the Federal Reserve System, or for any other purpose which would be inconsistent with such Regulations T or U or any other Regulations of such Board of Governors, or for any purpose prohibited by legal requirements or by the terms and conditions of the Loan Documents.

(rr) Material Adverse Effect. There are no judicial, administrative, mediation or arbitration actions, suits or proceedings pending or threatened against or affecting Borrower (and, if Borrower is a partnership, any of its general partners or if Borrower is a limited liability company, any member of Borrower) or the Property which, if adversely determined, would have a material adverse effect on (a) the Property, (b) the business, prospects, profits, operations or condition (financial or otherwise) of Borrower, (c) the enforceability, validity, perfection or priority of the lien of any Loan Document, or (d) the ability of Borrower to perform any obligations under any Loan Document (collectively, a "Material Adverse Effect").

(ss) Permits Obtained. All certificates, permits, licenses and approvals, including, without limitation, certificates of completion and occupancy permits required for the legal use, occupancy and operation of the Property as a manufactured housing community or mobile home park, have been obtained and are in full force and effect, except for those which, if not obtained, would not have a Material Adverse Effect.

1.2 Defense of Title. If, while this Security Deed is in force, the title to the Property or the interest of Lender therein shall be the subject, directly or indirectly, of any action at law or in equity, or be attacked directly or indirectly, or endangered, clouded or adversely affected in any manner, Borrower, at Borrower's expense, shall take all necessary and proper steps for the defense of said title or interest, including the employment of counsel reasonably approved by Lender, the prosecution or defense of litigation, and the compromise or discharge of claims made against said title or interest. Notwithstanding the foregoing, in the event that Lender reasonably determines that Borrower is not adequately performing its obligations under this Section, Lender

shall provide Borrower written notice of such determination, and if Lender reasonably determines that Borrower is still not adequately performing its obligations under this Section within thirty (30) days after its receipt of such notice, Lender may, without limiting or waiving any other rights or remedies of Lender hereunder, take such steps with respect thereto as Lender shall deem necessary or proper; any and all costs and expenses incurred by Lender in connection therewith, together with interest thereon at the Default Interest Rate from the date incurred by Lender until actually paid by Borrower, shall be immediately paid by Borrower on demand and shall be secured by this Security Deed and by all of the other Loan Documents securing all or any part of the indebtedness evidenced by the Notes.

1.3 Performance of Obligations. Borrower shall pay when due the principal of and the interest on the indebtedness secured hereby including all charges, fees and other sums required to be paid by Borrower as provided in the Loan Documents, and shall observe, perform and discharge all obligations, and conditions, and comply with all prohibitions, covenants and agreements to be observed, performed or discharged by Borrower set forth in the Loan Documents in accordance with their terms. In the event that Lender determines that Borrower is not adequately performing any of its obligations under this Security Deed or under any of the other Loan Documents, Lender may, without limiting or waiving any other rights or remedies of Lender hereunder, take such steps with respect thereto as Lender shall deem necessary or proper, and any and all costs and expenses reasonably incurred by Lender in connection therewith, together with interest thereon at the Default Interest Rate from the date incurred by Lender until actually paid by Borrower, shall be immediately paid by Borrower on demand and shall be secured by this Security Deed and by all of the other Loan Documents securing all or any part of the indebtedness evidenced by the Notes.

1.4 Insurance. Borrower shall, at Borrower's expense, maintain in force and effect on the Property at all times while this Security Deed continues in effect the following insurance:

(a) Insurance against loss or damage to the Property by fire, windstorm, tornado and hail and against loss and damage by such other, further and additional risks as may be now or hereafter embraced by an "all-risk" form of insurance policy. The amount of such insurance shall be not less than one hundred percent (100%) of the full replacement (insurable) cost of the Improvements, furniture, furnishings, fixtures, equipment and other items (whether personalty or fixtures) included in the Property and owned by Borrower from time to time, without reduction for depreciation. The determination of the replacement cost amount shall be adjusted annually to comply with the requirements of the insurer issuing such coverage or, at Lender's election, by reference to such indices, appraisals or information as Lender determines in its reasonable discretion. Full replacement cost, as used herein, means, with respect to the Improvements, the cost of replacing the Improvements without regard to deduction for depreciation, exclusive of the cost of excavations, foundations and footings below the lowest basement floor, and means, with respect to such furniture, furnishings, fixtures, equipment and other items, the cost of replacing the same, in each case, with inflation guard coverage to reflect the effect of inflation, or annual valuation. Each policy or policies shall contain a replacement cost endorsement and either an agreed amount endorsement (to avoid the operation of any co-insurance provisions) or a waiver of any co-insurance provisions, all subject to Lender's approval.

(b) Comprehensive Commercial General Liability Insurance for personal injury, bodily injury, death and property damage liability in amounts not less than **\$1,000,000.00** per occurrence, **\$2,000,000.00** aggregate and with total excess and umbrella coverage totaling **\$10,000,000.00** (or such lesser amount as Lender may approve in its discretion). During any construction on the Property, each contractor having a contract for construction in an amount equal to or greater than \$100,000.00 shall also provide the insurance required in this Subsection (b), except that the minimum required coverages shall be \$1,000,000.00 per occurrence and \$2,000,000.00 in the aggregate (both inclusive of umbrella coverage). Lender hereby retains the right to periodically review the amount of said liability insurance being maintained by Borrower and to require an increase in the amount of said liability insurance should Lender deem an increase to be reasonably prudent under then existing circumstances.

(c) General boiler and machinery insurance coverage is required if steam boilers or other pressure-fired vessels are in operation at the Property. Minimum liability amount per accident must equal the greater of the replacement (insurable) value of the Improvements housing such boiler or pressure-fired machinery or \$2,000,000.00.

(d) If the Property or any part thereof is identified by the Secretary of Housing and Urban Development as being situated in an area now or subsequently designated as having special flood hazards (including, without limitation, those areas designated as Zone A or Zone V), flood insurance in an amount equal to the lesser of: (i) the minimum amount required, under the terms of coverage, to compensate for any damage or loss on a replacement basis (or the unpaid balance of the indebtedness secured hereby if replacement cost coverage is not available for the type of building insured); or (ii) the maximum insurance available under the appropriate National Flood Insurance Administration program.

(e) During the period of any construction on the Property or renovation or alteration of the Improvements, a so-called "Builder's All-Risk Completed Value" or "Course of Construction" insurance policy in non-reporting form for any Improvements under construction, renovation or alteration in an amount approved by Lender and Worker's Compensation Insurance covering all persons engaged in such construction, renovation or alteration.

(f) Loss of rents or loss of business income insurance in amounts sufficient to compensate Borrower for all Rents and Profits during a period of not less than twelve (12) months in which the Property may be damaged or destroyed. The amount of coverage shall be adjusted annually to reflect the Rents and Profits or income payable during the succeeding twelve (12) month period.

(g) Intentionally deleted.

All such insurance shall (i) be with insurers authorized to do business in the state within which the Property is located and who have and maintain a rating of at least "A" (or its equivalent) from Standard & Poor's, a Division of The McGraw-Hill Companies, Inc. or any other nationally recognized statistical agency selected by Lender; (ii) contain the complete address of the Property (or a complete legal description); (iii) be for terms of at least one year; (iv) contain deductibles which do not exceed \$10,000.00 or, with respect to the policy described in clause (d) above \$3,000.00; and (v) be subject to the approval of Lender as to insurance

companies, amounts, content, forms of policies, method by which premiums are paid and expiration dates. Without limitation to the generality of the foregoing, the insurance policies required pursuant to this Section 1.4 shall be required to cover perils of terrorism and acts of terrorism.

Borrower shall as of the date hereof deliver to Lender evidence that said insurance policies have been paid current as of the date hereof and certified copies of such insurance policies and original certificates of insurance signed by an authorized agent of the applicable insurance companies evidencing such insurance satisfactory to Lender. Borrower shall renew all such insurance and deliver to Lender certificates evidencing such renewals at least thirty (30) days before any such insurance shall expire. Without limiting the required endorsements to the insurance policies, Borrower further agrees that all such policies shall include a standard, non-contributory, mortgagee clause naming:

ARCS Commercial Mortgage Co., L.P.,
its successors and assigns
26901 Agoura Road, Suite 200
Calabasas Hills, California 91301

(x) as an additional insured under all liability insurance policies; (y) as the first mortgagee on all property insurance policies; and (z) as the loss payee on all loss of rents or loss of business income insurance policies. Borrower further agrees that all such insurance policies: (1) shall provide for at least thirty (30) days' prior written notice to Lender prior to any cancellation or termination thereof and prior to any modification thereof which affects the interest of Lender; (2) shall contain an endorsement or agreement by the insurer that any loss shall be payable to Lender in accordance with the terms of such policy notwithstanding any act or negligence of Borrower which might otherwise result in forfeiture of such insurance; (3) shall waive all rights of subrogation against Lender; and (4) in the event that the Real Estate or the Improvements constitute a legal non-conforming use under applicable building, zoning or land use laws or ordinances, shall include an ordinance or law coverage endorsement which will contain Coverage A: "Loss Due to Operation of Law" (with a minimum liability limit equal to Replacement Cost With Agreed Value Endorsement), Coverage B: "Demolition Cost" and Coverage C: "Increased Cost of Construction" coverages. Lender agrees that such insurance policies may be in the form of a blanket policy provided that, in the event that any such coverage is provided in the form of a blanket policy, Borrower hereby acknowledges and agrees that failure to pay any portion of the premium therefor which is not allocable to the Property or by any other action not relating to the Property which would otherwise permit the issuer thereof to cancel the coverage thereof, would require the Property to be insured by a separate, single-property policy. The blanket policy must properly identify and fully protect the Property as if a separate policy were issued for one hundred percent (100%) of replacement cost at the time of loss and otherwise meet all of Lender's applicable insurance requirements set forth in this Section 1.4. The delivery to Lender of the insurance policies or the certificates of insurance as provided above shall constitute an assignment of all proceeds payable under such insurance policies relating to the Property by Borrower to Lender as further security for the indebtedness secured hereby. In the event of foreclosure of this Security Deed, or other transfer of title to the Property in extinguishment in whole or in part of the secured indebtedness, all right, title and interest of Borrower in and to all proceeds payable under such policies then in force concerning

the Property shall thereupon vest in the purchaser at such foreclosure, or in Lender or other transferee in the event of such other transfer of title. Approval of any insurance by Lender shall not be a representation of the solvency of any insurer or the sufficiency of any amount of insurance. In the event Borrower fails to provide, maintain, keep in force or deliver and furnish to Lender the policies of insurance required by this Security Deed or evidence of their renewal as required herein, Lender may, but shall not be obligated to, procure such insurance and Borrower shall pay all amounts advanced by Lender therefor, together with interest thereon at the Default Interest Rate from and after the date advanced by Lender until actually repaid by Borrower, promptly upon demand by Lender. Any amounts so advanced by Lender, together with interest thereon, shall be secured by this Security Deed and by all of the other Loan Documents securing all or any part of the indebtedness secured hereby. Lender shall not be responsible for nor incur any liability for the insolvency of the insurer or other failure of the insurer to perform, even though Lender has caused the insurance to be placed with the insurer after failure of Borrower to furnish such insurance. Borrower shall not obtain insurance for the Property in addition to that required by Lender without the prior written consent of Lender, which consent will not be unreasonably withheld provided that (i) Lender is a named insured on such insurance; (ii) Lender receives complete copies of all policies evidencing such insurance; and (iii) such insurance and the related insurer comply with all of the applicable requirements set forth herein.

Any failure by Lender to insist on full compliance with all of the above insurance requirements at closing does not constitute a waiver of Lender's right to subsequently require full compliance with these requirements.

1.5 Payment of Taxes. Borrower shall pay or cause to be paid, except to the extent provision is actually made therefor pursuant to Section 1.6 of this Security Deed, all taxes and assessments which are or may become a lien on the Property or which are assessed against or imposed upon the Property. Borrower shall furnish Lender with receipts (or if receipts are not immediately available, with copies of canceled checks evidencing payment with receipts to follow promptly after they become available) showing payment of such taxes and assessments at least fifteen (15) days prior to the applicable delinquency date therefor. Notwithstanding the foregoing, Borrower may in good faith, by appropriate proceedings and upon notice to Lender, contest the validity, applicability or amount of any asserted tax or assessment so long as (a) such contest is diligently pursued; (b) Lender determines, in its reasonable opinion, that such contest suspends the obligation to pay the tax or assessment and that nonpayment of such tax or assessment will not result in the sale, loss, forfeiture or diminution of the Property or any part thereof or any interest of Lender therein, unless Borrower pays such tax; and (c) prior to the earlier of the commencement of such contest or the delinquency date of the asserted tax or assessment, Borrower deposits in the Impound Account (as hereinafter defined) an amount determined by Lender to be adequate to cover the payment of such tax or assessment and a reasonable additional sum to cover possible interest, costs and penalties; provided, however, that Borrower shall promptly cause to be paid any amount adjudged by a court of competent jurisdiction to be due, with all interest, costs and penalties thereon, promptly after such judgment becomes final; and provided further that in any event each such contest shall be concluded and the taxes, assessments, interest, costs and penalties shall be paid prior to the date any writ or order is issued under which the Property may be sold, lost or forfeited.

1.6 Tax and Insurance Impound Account. Borrower shall establish and maintain at all times while this Security Deed continues in effect an impound account (the "Impound Account") with Lender for payment of real estate taxes and assessments and insurance on the Property and as additional security for the indebtedness secured hereby. Borrower shall deposit in the Impound Account an amount determined by Lender to be sufficient (when added to the monthly deposits described herein) to pay the next due annual installment of real estate taxes and assessments on the Property at least one (1) month prior to the delinquency date thereof and the next due annual insurance premiums with respect to the Property at least one (1) month prior to the due date thereof. Commencing on the first monthly payment date under the Notes and continuing thereafter on each monthly payment date under the Notes, Borrower shall pay to Lender, concurrently with the monthly payment due under the Notes, deposits in an amount equal to one-twelfth (1/12) of the amount of the annual real estate taxes and assessments that will next become due and payable on the Property, plus one-twelfth (1/12) of the amount of the annual premiums that will next become due and payable on insurance policies which Borrower is required to maintain hereunder, each as estimated and determined by Lender. All sums in the Impound Account shall be held by Lender in the Impound Account to pay said taxes, assessments and insurance premiums in one installment before the same become delinquent. Borrower shall be responsible for ensuring the receipt by Lender, at least thirty (30) days prior to the respective due date for payment thereof, of all bills, invoices and statements for all taxes, assessments and insurance premiums to be paid from the Impound Account, and Lender shall pay the governmental authority or other party entitled thereto directly to the extent funds are available for such purpose in the Impound Account. In making any payment from the Impound Account, Lender shall be entitled to rely on any bill, statement or estimate procured from the appropriate public office or insurance company or agent without any inquiry into the accuracy of such bill, statement or estimate and without any inquiry into the accuracy, validity, enforceability or contestability of any tax, assessment, valuation, sale, forfeiture, tax lien or title or claim thereof. No interest on funds contained in the Impound Account shall be paid by Lender to Borrower and any interest or other earnings on funds deposited in the Impound Account shall be solely for the account of Lender. If the total funds in the Impound Account shall exceed the amount of payments actually applied by Lender for the purposes of the Impound Account, such excess may be credited by Lender on subsequent payments to be made hereunder or, at the option of Lender, refunded to Borrower. If, however, the Impound Account shall not contain sufficient funds to pay the sums required when the same shall become due and payable, Borrower shall, within ten (10) days after receipt of written notice thereof, deposit with Lender the full amount of any such deficiency. Notwithstanding anything to the contrary contained in this Security Deed, including, without limitation, the provisions of this Section 1.6 hereof, at Borrower's option, its obligation to make monthly deposits into the Impound Account shall not include any amounts attributable to the premiums for insurance coverage required to be carried on the Property pursuant to the terms of this Security Deed, so long as:

- (a) No default shall have occurred and be continuing hereunder or under any of the Loan Documents;
- (b) Borrower renews all insurance policies required to be carried on the Property pursuant to the terms of this Security Deed prior to their expiration;

(c) Borrower delivers to Lender certificates evidencing such renewals at least thirty (30) days before the expiration of any such policy.

If Borrower elects not to make such monthly payments into the Impound Account as stated above, Borrower shall be entitled to a five (5) day grace period with respect to the delivery to Lender of certificates of insurance described in Section 1.4, the failure of which to timely deliver such items (including stated grace period) shall be a default under this Deed of Trust at Lender's sole option and election. In the event of a default hereunder or under any Loan Document, in addition to Lender's other rights and remedies, (x) Borrower's obligations to make monthly deposits into the Impound Account shall be immediately reinstated with the next succeeding monthly payment due under the Lake Lanier Note and (y) Borrower shall immediately deposit an amount determined by Lender to be sufficient (when added to the monthly deposits described in this Section 1.6) to pay the next due installments of real estate taxes and assessments and insurance premiums at least one (1) month prior to their respective delinquency dates. Nothing contained herein shall be construed as to relieve Borrower of its obligations to make monthly deposits into the Impound Account in respect of real estate taxes and assessments on the Property as described in this Section 1.6.

1.7 Replacement Reserve. Borrower shall not initially be under any obligation to establish or maintain a reserve for periodic replacements at the Property. Notwithstanding the foregoing, however, in the event that an Event of Default has occurred and is continuing, then, as additional security for the indebtedness secured hereby, Borrower shall establish and maintain at all times while this Security Deed continues in effect a replacement reserve (the "Replacement Reserve") with Lender for payment of costs and expenses incurred by Borrower in connection with capital improvements, repairs and replacements performed at the Property, including, but not limited to, the performance of work to the roofs, chimneys, gutters, downspouts, paving, curbs, ramps, driveways, balconies, porches, patios, exterior walls, exterior doors and doorways, windows, carpets, appliances, fixtures, elevators and mechanical and HVAC equipment (collectively, the "Repairs"). Commencing on the first monthly Payment Date under the Countryside Lake Lanier Note after the occurrence of an Event of Default and continuing thereafter on each monthly Payment Date, Borrower shall pay to Lender, concurrently with the monthly payment due under the Countryside Lake Lanier Note, a deposit to the Replacement Reserve in an amount equal to **\$2,283.34** per month. All sums in the Replacement Reserve shall be held by Lender in the Replacement Reserve to pay the costs and expenses of Repairs, and Lender shall, to the extent funds are available for such purpose in the Replacement Reserve, disburse to Borrower the amount paid or incurred by Borrower in performing such Repairs within ten (10) days following: (a) the receipt by Lender of a written request from Borrower for disbursement from the Replacement Reserve and a certification by Borrower to Lender that the applicable item of Repair has been completed; (b) the delivery to Lender of invoices, receipts or other evidence verifying the cost of performing the Repairs; and (c) for disbursement requests (i) in excess of \$20,000.00 with respect to any single Repair, or (ii) for any single Repair that is structural in nature, delivery to Lender of (1) affidavits, lien waivers (provided, however, Lender shall not unreasonably withhold its consent to Borrower's provision of a conditional lien waiver subject only to the payment of the amount specified in such disbursement request so long as such conditional lien waiver is accompanied by a final unconditional lien waiver corresponding to any conditional lien waiver previously delivered) or other evidence reasonably satisfactory to Lender showing that all materialmen, laborers, subcontractors and any other parties who might or could

claim statutory or common law liens and are furnishing or have furnished materials or labor to the Property have been paid all amounts due for labor and materials furnished to the Property; (2) a certification from an inspecting architect or other third party acceptable to Lender describing the completed Repairs and verifying the completion of the Repairs and the value of the completed Repairs; and (3) a new (or amended) certificate of occupancy for the portion of the Improvements covered by such Repairs, if said new certificate of occupancy is required by law, or a certification by Borrower that no new certificate of occupancy is required by law. Lender shall not be required to make advances from the Replacement Reserve more frequently than one time in any calendar month. In making any payment from the Replacement Reserve, Lender shall be entitled to rely on such request from Borrower without any inquiry into the accuracy, validity or contestability of any such amount. Lender may, at Lender's expense (provided that Borrower shall be responsible for any such expenses incurred by Lender during the occurrence and continuation of an Event of Default), make or cause to be made during the term of this Security Deed an annual inspection of the Property to determine the need, as determined by Lender in its reasonable judgment, for further Repairs of the Property. In the event that such inspection reveals that further Repairs of the Property are required, Lender shall provide Borrower with a written description of the required Repairs and Borrower shall complete such Repairs to the reasonable satisfaction of Lender within ninety (90) days after the receipt of such description from Lender, or such later date as may be approved by Lender in its sole discretion. Interest or other earnings on the funds contained in the Replacement Reserve shall be credited to Borrower as provided in Section 4.28 hereof. In the event that the amounts on deposit or available in the Replacement Reserve are inadequate to pay the cost of the Repairs, Borrower shall pay the amount of such deficiency.

1.8 Security Interest In Reserves.

(a) As additional security for the payment and performance by Borrower of all duties, responsibilities and obligations under the Notes and the other Loan Documents, Borrower hereby unconditionally and irrevocably assigns, conveys, pledges, mortgages, transfers, delivers, deposits, sets over and confirms unto Lender, and hereby grants to Lender a security interest in all sums on deposit or due under this Security Deed and the other Loan Documents including, without limitation, (i) the Impound Account, the Replacement Reserve and any other reserve set forth on Exhibit B attached hereto (collectively, the "Reserves"), (ii) the accounts into which the Reserves have been deposited, (iii) all insurance on said accounts, (iv) all accounts, contract rights and general intangibles or other rights and interests pertaining thereto, (v) all sums now or hereafter therein or represented thereby, (vi) all replacements, substitutions or proceeds thereof, (vii) all instruments and documents now or hereafter evidencing the Reserves or such accounts, (viii) all powers, options, rights, privileges and immunities pertaining to the Reserves (including the right to make withdrawals therefrom), and (ix) all proceeds of the foregoing. Borrower hereby authorizes and consents to the account into which the Reserves have been deposited being held in Lender's name or the name of any entity servicing the Notes for Lender and hereby acknowledges and agrees that Lender, or at Lender's election, such servicing agent, shall have exclusive control over said account. Notice of the assignment and security interest granted to Lender herein may be delivered by Lender at any time to the financial institution wherein the Reserves have been established, and Lender, or such servicing entity, shall have possession of all passbooks or other evidences of such accounts. Borrower hereby holds Lender harmless with respect to all risk of loss regarding amounts on

deposit in the Reserves, except to the extent that any such loss is caused by the gross negligence or intentional misconduct of Lender. Borrower hereby knowingly, voluntarily and intentionally stipulates, acknowledges and agrees that the advancement of the funds from the Reserves as set forth herein is at Borrower's direction and is not the exercise by Lender of any right of set-off or other remedy upon an Event of Default. If an Event of Default shall occur, then Lender may, without notice or demand on Borrower, at its option: (A) withdraw any or all of the funds (including, without limitation, interest) then remaining in the Reserves and apply the same, after deducting all costs and expenses of safekeeping, collection and delivery (including, but not limited to, attorneys' fees, costs and expenses) to the indebtedness evidenced by the Notes or any other obligations of Borrower under the other Loan Documents in such manner as Lender shall deem appropriate in its sole discretion, and the excess, if any, shall be paid to Borrower, (B) exercise any and all rights and remedies of a secured party under any applicable Uniform Commercial Code, or (C) exercise any other remedies available at law or in equity. No such use or application of the funds contained in the Reserves shall be deemed to cure any Event of Default or other default under the other Loan Documents.

(b) The Reserves are solely for the protection of Lender and entail no responsibility on Lender's part beyond the payment of the respective costs and expenses in accordance with the terms thereof and beyond the allowing of due credit for the sums actually received. Upon assignment of this Security Deed by Lender, any funds in the Reserves shall be turned over to the assignee and any responsibility of Lender, as assignor, with respect thereto shall terminate. The Reserves shall not, unless otherwise explicitly required by applicable law, be or be deemed to be escrow or trust funds, but, at Lender's option and in Lender's discretion, may either be held in a separate account or be commingled by Lender with the general funds of Lender. Upon full payment of the indebtedness secured hereby in accordance with its terms (or if earlier, the completion of the applicable conditions to release of each Reserve to Lender's satisfaction) or at such earlier time as Lender may elect, the balance in the Reserves then in Lender's possession shall be paid over to Borrower and no other party shall have any right or claim thereto.

(c) Any amounts received by Lender from Borrower may be invested by Lender (or its Servicer, as defined in the Notes) for its benefit, and Lender shall not be obligated to pay, or credit, any interest earned thereon to Borrower except as may be otherwise specifically provided in this Security Deed.

1.9 Casualty and Condemnation. Borrower shall give Lender prompt written notice of the occurrence of any casualty in excess of \$50,000.00 affecting, or the institution of any proceedings for eminent domain or for the condemnation of, the Property or any portion thereof (collectively, an "Insured Event"). All insurance proceeds on the Property, and all causes of action, claims, compensation, awards and recoveries for any damage, condemnation or taking of all or any part of the Property or for any damage or injury to it for any loss or diminution in value of the Property, are hereby assigned to and shall be paid to Lender. Lender may participate in any suits or proceedings relating to any such proceeds, causes of action, claims, compensation, awards or recoveries and Lender is hereby authorized, in its own name or in Borrower's name, to adjust any loss covered by insurance or any condemnation claim or cause of action, and to settle or compromise any claim or cause of action in connection therewith, and Borrower shall from time to time deliver to Lender any instruments required to permit such participation; provided,

however, that Lender shall not have the right to participate in the adjustment of any loss which is not in excess of the lesser of (i) ten percent (10%) of the then outstanding principal balance of the Countryside Lake Lanier Note, and (ii) \$350,000.00. Provided no Event of Default is then continuing hereunder or under any of the other Loan Documents and no event has occurred which, with the giving of notice or the passage of time or both, would constitute an Event of Default or other default under any of the other Loan Documents, Lender shall apply any sums received by it under this Section first to the payment of all of its costs and expenses (including, but not limited to, reasonable legal fees and disbursements) incurred in obtaining those sums, and then, as follows:

(a) In the event that Lender receives insurance proceeds or condemnation awards upon the occurrence of an Insured Event in an amount not in excess of the lesser of (i) ten percent (10%) of the then outstanding principal balance of the Countryside Lake Lanier Note, and (ii) \$350,000.00, (collectively, the "Threshold Amount"), Borrower shall repair or restore the Property to the condition existing before such Insured Event, and Lender shall, to the extent such insurance proceeds or condemnation awards are available for such purpose, advance such funds to Borrower in accordance with, and satisfaction of, the terms and conditions for disbursement relative to the Replacement Reserve as described on Exhibit B to this Security Deed.

(b) In the event any proceeds or awards from an Insured Event exceed the Threshold Amount but less than fifty percent (50%) of the Improvements located on the Real Estate have been taken or destroyed, then if:

(1) the Property can, in Lender's reasonable judgment, with diligent restoration or repair, be returned to a condition at least equal to the condition thereof that existed prior to the casualty or partial taking causing the loss or damage by the earlier to occur of (i) six (6) months after the receipt of insurance proceeds or condemnation awards by either Borrower or Lender, and (ii) six (6) months prior to the stated maturity date of the Countryside Lake Lanier Note, and

(2) all necessary governmental approvals can be obtained to allow the rebuilding and reoccupancy of the Property as described in subsection (b)(1) above, and

(3) there are sufficient sums available (through insurance proceeds or condemnation awards and contributions by Borrower, the full amount of which shall at Lender's option have been deposited with Lender) for such restoration or repair (including, without limitation, for any reasonable costs and expenses of Lender to be incurred in administering said restoration or repair) and for payment of principal and interest to become due and payable under the Countryside Lake Lanier Note during such restoration or repair, and

(4) the economic feasibility of the Improvements after such restoration or repair will be such that income from their operation is reasonably anticipated to be sufficient to pay operating expenses of the Property and debt service on the indebtedness secured hereby in full with the same coverage ratio considered by Lender in its determination to make the Loans, and

(5) Borrower shall have delivered to Lender, at Borrower's sole cost and expense, an appraisal report from an appraiser, in form and substance, satisfactory to Lender appraising the value of the Property as proposed to be restored or repaired to be not less than the appraised value of the Property considered by Lender in its determination to make the Loans, and

(6) The Property can, in Lender's reasonable judgment, be repaired or restored such that the Property, taken as a whole, as repaired or restored, will conform to all applicable governmental laws and ordinances (including, without limitation, current zoning ordinances),

then, Lender shall, solely for the purposes of such restoration or repair, advance so much of the remainder of such sums as may be required to facilitate such restoration or repair, and any funds deposited by Borrower therefor, to Borrower in the manner and upon such terms and conditions as would be required by a prudent interim construction lender, including, but not limited to, the prior approval by Lender of plans and specifications, contractors and the form of construction contracts and the furnishing to Lender of permits, bonds, lien waivers (provided, however, Lender shall not unreasonably withhold its consent to Borrower's provision of a conditional lien waiver subject only to the payment of the amount specified in such disbursement request so long as such conditional lien waiver is accompanied by a final unconditional lien waiver corresponding to any conditional lien waiver previously delivered), invoices, receipts and affidavits from contractors and subcontractors in form and substance reasonably satisfactory to Lender. Any remaining proceeds shall be applied by Lender for payment of the indebtedness secured hereby in whatever order as Lender directs, or released to Borrower, in Lender's absolute discretion. Borrower shall, in good faith, undertake reasonable efforts to cause the conditions described in this Section 1.9(b) to be fully satisfied (e.g., Borrower shall timely make applications for necessary governmental permits, shall order an appropriate appraisal report, etc.). If such conditions are satisfied, Borrower shall be obligated to undertake restoration and repair of the damaged Improvements subject to the terms of this Section 1.9. Any disbursement pursuant to this clause (b) of sums by Lender shall, subject to Borrower's satisfaction of the provisions hereof, be in a manner to promptly facilitate the restoration or repair of the Property. In the event Borrower fails to meet the requirements of this clause (b), then Lender may elect in its absolute discretion and without regard to the adequacy of Lender's security, to accelerate the maturity date of the Notes and declare any and all of the indebtedness secured hereby to be immediately due and payable and apply the remainder of such sums to the payment of the secured indebtedness in whatever order Lender directs in its sole discretion, with any remainder being paid to Borrower.

(c) In all other cases, namely, in the event that fifty percent (50%) or more of the Improvements located on the Real Estate have been taken or destroyed or in the event the conditions described in Section 1.9(b) are not fully satisfied, Lender may elect, in Lender's absolute discretion and without regard to the adequacy of Lender's security, to (i) accelerate the maturity date of the Countryside Lake Lanier Note (which, in and of itself, will not have any effect on the other Notes) and declare the entirety of such indebtedness to be immediately due and payable and apply the remainder of such sums received pursuant to this Section to the payment of the Countryside Lake Lanier Note in whatever order Lender directs in its absolute discretion, with any remainder being applied to the payment of the remaining indebtedness

secured hereby in whatever order Lender directs in its absolute discretion, or (ii) make insurance or condemnation proceeds available to Borrower for repair or restoration if Borrower establishes to the satisfaction of Lender, in its sole discretion, that Borrower otherwise satisfies the requirements of clause (b) above. Should Lender make the election described immediately above in item (i) of this Section 1.9(c), Borrower may, alternatively, request that such proceeds be applied towards a Partial Defeasance (hereinafter defined) provided that Borrower otherwise is entitled to undertake such a Partial Defeasance transaction pursuant to the terms of Section 1.35(d). Should Lender make the election described immediately above in item (ii) of this Section 1.9(c), Borrower shall be obligated to undertake restoration and repair of the damaged Improvements consistent with the provisions of this Section 1.9.

(d) Any reduction in the indebtedness secured hereby resulting from Lender's application of any sums received by it hereunder shall take effect only when Lender actually receives such sums and elects to apply such sums to the indebtedness secured hereby and, in any event, the unpaid portion of the indebtedness secured hereby shall remain in full force and effect and Borrower shall not be excused in the payment thereof. Partial payments received by Lender, as described in the preceding sentence, shall be applied against the Countryside Lake Lanier Note (or any of the other Notes, as applicable) consistent with the prepayment provisions described therein for casualty or condemnation proceeds. If Borrower undertakes to restore or repair the Property after the occurrence of a casualty or partial taking of the Property as provided above, Borrower shall promptly and diligently, at Borrower's sole cost and expense and regardless of whether the insurance proceeds or condemnation award, as appropriate, shall be sufficient for the purpose, restore, repair, replace and rebuild the Property as nearly as possible to its value, condition and character immediately prior to such casualty or partial taking in accordance with the foregoing provisions and Borrower shall pay to Lender all costs and expenses of Lender incurred in administering said rebuilding, restoration or repair, provided that Lender makes such proceeds or award available for such purpose. Borrower agrees to execute and deliver from time to time such further instruments as may be requested by Lender to confirm the foregoing assignment to Lender of any award, damage, insurance proceeds, payment or other compensation. Borrower hereby irrevocably constitutes and appoints Lender as the attorney-in-fact of Borrower (which power of attorney shall be irrevocable so long as any indebtedness secured hereby is outstanding, shall be deemed coupled with an interest, shall survive the voluntary or involuntary dissolution of Borrower and shall not be affected by any disability or incapacity suffered by Borrower subsequent to the date hereof), with full power of substitution, subject to the terms of this Section, to settle for, collect and receive any such awards, damages, insurance proceeds, payments or other compensation from the parties or authorities making the same, to appear in and prosecute any proceedings therefor and to give receipts and acquittance therefor.

1.10 Mechanics' Liens. Borrower shall pay when due all claims and demands of mechanics, materialmen, laborers and others for any work performed or materials delivered for the Real Estate or the Improvements; provided, however, that Borrower shall have the right to contest in good faith any such claim or demand, so long as it does so diligently, by appropriate proceedings and without prejudice to Lender and provided that neither the Property nor any interest therein would be in any danger of sale, loss or forfeiture as a result of such proceeding or contest. In the event Borrower shall contest any such claim or demand, Borrower shall promptly notify Lender of such contest and thereafter shall, upon Lender's request, promptly provide a

bond, cash deposit or other security satisfactory to Lender to protect Lender's interest and security should the contest be unsuccessful. If Borrower shall fail to immediately discharge or provide security against any such claim or demand as aforesaid, Lender may do so and any and all expenses incurred by Lender, together with interest thereon at the Default Interest Rate from the date incurred by Lender until actually paid by Borrower, shall be immediately paid by Borrower on demand and shall be secured by this Security Deed and by all of the other Loan Documents securing all or any part of the indebtedness evidenced by the Notes.

1.11 Assignment of Leases and Rents. As additional and collateral security for the payment of the indebtedness secured hereby and cumulative of any and all rights and remedies herein provided for, Borrower hereby absolutely and presently assigns to Lender all Leases, and all existing and future Rents and Profits. Borrower hereby grants to Lender the sole, exclusive and immediate right, without taking possession of the Property, to demand, collect (by suit or otherwise), receive and give valid and sufficient receipts for any and all of said Rents and Profits, for which purpose, effective on the occurrence and during the continuance of an Event of Default, Borrower does hereby irrevocably make, constitute and appoint Lender its attorney-in-fact with full power to appoint substitutes or a trustee to accomplish such purpose (which power of attorney shall be irrevocable so long as any indebtedness secured hereby is outstanding, shall be deemed to be coupled with an interest, shall survive the voluntary or involuntary dissolution of Borrower and shall not be affected by any disability or incapacity suffered by Borrower subsequent to the date hereof). Lender shall be without liability for any loss which may arise from a failure or inability to collect Rents and Profits, proceeds or other payments. However, until the occurrence of an Event of Default under this Security Deed, Borrower shall have a license to collect and receive the Rents and Profits when due and prepayments thereof for not more than one month prior to due date thereof. Upon the occurrence of an Event of Default, Borrower's license shall automatically terminate without notice to Borrower and Lender may thereafter, without taking possession of the Property, collect the Rents and Profits itself or by an agent or receiver. From and after the termination of such license, Borrower shall be the agent of Lender in collection of the Rents and Profits and all of the Rents and Profits so collected by Borrower shall be held in trust by Borrower for the sole and exclusive benefit of Lender and Borrower shall, within one (1) Business Day (as hereinafter defined) after receipt of any Rents and Profits, pay the same to Lender to be applied by Lender as hereinafter set forth. Neither the demand for or collection of Rents and Profits by Lender, nor the exercise of Lender's rights as assignee of the Leases, shall constitute any assumption by Lender of any obligations under any Lease or other agreement relating thereto. Lender is obligated to account only for such Rents and Profits as are actually collected or received by Lender. Borrower irrevocably agrees and consents that the respective payors of the Rents and Profits shall, upon demand and notice from Lender of an Event of Default hereunder, pay said Rents and Profits to Lender without liability to determine the actual existence of any Event of Default claimed by Lender. Borrower hereby waives any right, claim or demand which Borrower may now or hereafter have against any such payor by reason of such payment of Rents and Profits to Lender, and any such payment shall discharge such payor's obligation to make such payment to Borrower. All Rents and Profits collected or received by Lender shall be applied against all expenses of collection, including, without limitation, attorneys' fees, against costs of operation and management of the Property and against the indebtedness secured hereby, in whatever order or priority as to any of the items so mentioned as Lender directs in its sole subjective discretion and without regard to the adequacy of its security. Neither the exercise by Lender of any rights

under this Section nor the application of any Rents and Profits to the secured indebtedness shall cure or be deemed a waiver of any Event of Default hereunder. The assignment of Leases and of Rents and Profits hereinabove granted shall continue in full force and effect during any period of foreclosure or redemption with respect to the Property. As additional security for the indebtedness secured hereby, Borrower has executed and delivered an Assignment of Leases and Rents dated of even date herewith (as hereafter amended, consolidated or modified from time to time, the "Countryside Lake Lanier Assignment") in favor of Lender covering all of the right, title and interest of Borrower, as landlord, lessor or licensor, in and to any Leases. All rights and remedies granted to Lender under the Countryside Lake Lanier Assignment and all other Assignments (as defined in Exhibit C) shall be in addition to and cumulative of all rights and remedies granted to Lender hereunder.

1.12 Leases and Licenses.

(a) Lease Requirements. All Leases shall be written on such standard form lease (without any material changes unless re-submitted for Lender's approval, which approval shall not be unreasonably withheld or delayed) as is attached as Exhibit C to the Receipt and Closing Certificate of even date herewith, if any, and shall be on arms length terms, shall provide for free rent only if the same is consistent with prevailing market conditions and shall provide for market rents (including Security Deposits, if any) then prevailing in the market area of the Real Estate or as reasonably determined by Borrower suing prudent business practices; provided, however, (x) Borrower shall be permitted to offer leasing incentive consistent with its ordinary business and marketing practices and those of its affiliates, and (y) Borrower shall be permitted to allow month-to-month tenancies without obtaining written Lease renewals following the expiration and pursuant to the terms of written Leases. Notwithstanding the foregoing sentence and the provisions of Section 1.12(b) below, Borrower shall be permitted to offer Leases to Sun Home Services, Inc. ("SHS"), an affiliate of borrower, utilizing form leases similar to that attached as Exhibit C to the Receipt and Closing Certificate of even date herewith, but such leases may provide for (i) term lengths and rental amounts to be determined by Borrower in its sole discretion, in the case of leases of sites on which SHS wishes to place model homes, and (ii) the right of the lessee to sublease, in the case of leases of sites on which SHS wishes to place a manufactured home and lease such home and sublease the underlying site to a resident. Borrower shall also submit to Lender for Lender's approval, prior to the execution thereof, any proposed Lease, license or occupancy agreement of the pad sites, clubhouse or other improvements or any portion thereof that differs materially and adversely from the aforementioned form lease. Except as otherwise provided herein, Borrower shall not execute any Lease, license or occupancy agreement except for an actual occupancy by the tenant, lessee or licensee thereunder. No Lease shall contain any option or right of first refusal to purchase all or any portion of the Property.

(b) Acts Requiring Consent of Lender. Except as required by law or pursuant to any master agreement with residents of the Property, Borrower shall not, without the prior written consent of Lender, (i) exclusive of Security Deposits, accept any payment of Rent or installments of Rent for more than one (1) month in advance; (ii) enter into any written lease having a term inconsistent with the overall business model of Borrower and its affiliates; (iii) cancel or terminate any Lease (other than for non-payment of Rent or any other material default thereunder) or amend or modify any Lease; (iv) take or omit to take any action or

exercise any right or option which would permit the tenant under any Lease to cancel or terminate said Lease; (v) anticipate, discount, release, waive, compromise or otherwise discharge any Rents payable or other obligations under the Leases; (vi) further pledge, transfer, mortgage or otherwise encumber or assign the Leases or future payments of Rents, except as otherwise expressly permitted by the terms of this Security Deed or incur any material indebtedness, liability or other obligation to any tenant, lessee or licensee under the Leases; or (vii) permit any Lease to become subordinate to any lien other than the lien of this Security Deed; provided, however, that Borrower may take any of the actions described in subsection (iii) or (v) above so long as such actions are taken by Borrower in the ordinary course of business and are consistent with sound customary leasing and management practices for properties similar to the Property.

(c) Affirmative Covenants Regarding Leases. Borrower shall at all times promptly and faithfully perform, or cause to be performed, all of the covenants, conditions and agreements contained in all Leases, now or hereafter existing, on the part of the landlord, lessor or licensor thereunder to be kept and performed. Borrower, at no cost or expense to Lender, shall enforce, short of termination, the performance and observance of each and every condition and covenant of each of the other parties under each Lease. Borrower shall furnish to Lender as required pursuant to Section 1.18(c) below, a current rent roll certified by Borrower as being true and correct containing the names of all tenants, the terms of their respective Leases, the pad site occupied and the rentals or fees payable thereunder and the amount of each tenant's Security Deposit. Upon the request of Lender, but not more than once during a calendar year, Borrower shall deliver to Lender a copy of any designated Lease or, if required by Lender, a copy of every Lease.

(d) Security Deposits. If required under applicable law, all Security Deposits of tenants, whether held in cash or in any other form, shall not be commingled with any other funds of Borrower or any other person and, if cash, shall be deposited by Borrower at commercial or savings bank or banks, or otherwise held in compliance with applicable law. Any bond or other instrument which Borrower is permitted to hold in lieu of cash Security Deposits under any applicable legal requirements shall be maintained in full force and effect in the full amount of such deposits unless replaced by cash deposits as hereinabove described; shall be issued by an institution reasonably satisfactory to Lender; shall, if permitted pursuant to any applicable legal requirements, name Lender as payee or mortgagee thereunder or, at Lender's option, be assigned or fully assignable to Lender; and shall, in all respects, comply with any applicable legal requirements and otherwise be reasonably satisfactory to Lender. Borrower shall, upon request, provide Lender with evidence reasonably satisfactory to Lender of Borrower's compliance with the foregoing. Upon an Event of Default under this Security Deed, Borrower shall, immediately upon Lender's request (if permitted by applicable law), deliver to Lender the Security Deposits (and any interest previously earned thereon and not disbursed to the person(s) lawfully entitled to receive same) with respect to all or any portion of the Property, to be held by Lender subject to the terms of the Leases.

(e) Rights of Lender Upon Default. Upon an Event of Default, whether before or after the whole principal sum secured hereby is declared to be immediately due or whether before or after the institution of legal proceedings to foreclose this Security Deed, forthwith, upon demand of Lender, Borrower shall surrender to Lender and Lender shall be entitled to take actual possession of the Property or any part thereof personally, or by its agent or

attorneys. In such event, Lender shall have, and Borrower hereby gives and grants to Lender, the right, power and authority to make and enter into Leases for such rents and for such periods of occupancy and upon conditions and provisions as Lender may deem desirable in its sole discretion, and Borrower expressly acknowledges and agrees that the term of such Lease may extend beyond the date of any foreclosure sale at the Property; it being the intention of Borrower that in such event Lender shall be deemed to be and shall be the attorney-in-fact of Borrower for the purpose of making and entering into Leases for the rents and upon the terms, conditions and provisions deemed desirable to Lender in its sole discretion and with like effect as if such Leases had been made by Borrower as the owner in fee simple of the Property free and clear of any conditions or limitations established by this Security Deed. The power and authority hereby given and granted by Borrower to Lender shall be deemed to be coupled with an interest, shall not be revocable by Borrower so long as any indebtedness secured hereby is outstanding, shall survive the voluntary or involuntary dissolution of Borrower and shall not be affected by any disability or incapacity suffered by Borrower subsequent to the date hereof. In connection with any action taken by Lender pursuant to this Section, Lender shall not be liable for any loss sustained by Borrower resulting from any failure to let the Property, or any part thereof, or from any other act or omission of Lender in managing the Property, nor shall Lender be obligated to perform or discharge any obligation, duty or liability under any Lease or under or by reason of this instrument or the exercise of rights or remedies hereunder. **BORROWER SHALL, AND DOES HEREBY, INDEMNIFY LENDER FOR, AND HOLD LENDER HARMLESS FROM, ANY AND ALL CLAIMS, ACTIONS, DEMANDS, LIABILITIES, LOSS OR DAMAGE WHICH MAY OR MIGHT BE INCURRED BY LENDER UNDER ANY SUCH LEASE OR UNDER THIS SECURITY DEED OR BY THE EXERCISE OF RIGHTS OR REMEDIES HEREUNDER AND FROM ANY AND ALL CLAIMS AND DEMANDS WHATSOEVER WHICH MAY BE ASSERTED AGAINST LENDER BY REASON OF ANY ALLEGED OBLIGATIONS OR UNDERTAKINGS ON ITS PART TO PERFORM OR DISCHARGE ANY OF THE TERMS, COVENANTS OR AGREEMENTS CONTAINED IN ANY SUCH LEASE OTHER THAN THOSE RESULTING SOLELY FROM THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF LENDER.** Should Lender incur any such liability, the amount thereof, including, without limitation, costs, expenses and attorneys' fees, together with interest thereon at the Default Interest Rate from the date incurred by Lender until actually paid by Borrower, shall be immediately due and payable to Lender by Borrower on demand and shall be secured hereby and by all of the other Loan Documents securing all or any part of the indebtedness evidenced by the Notes. Nothing in this Section shall impose on Lender any duty, obligation or responsibility for the control, care, management or repair of the Property, or for the carrying out of any of the terms and conditions of any such Lease, nor shall it operate to make Lender responsible or liable for any waste committed on the Property by the tenants or by any other parties or for any dangerous or defective condition of the Property, or for any negligence in the management, upkeep, repair or control of the Property. Borrower hereby assents to, ratifies and confirms any and all actions of Lender with respect to the Property taken under this Section. The foregoing rights are in addition to all other rights and remedies granted to Lender pursuant to this Security Deed.

(a) Borrower acknowledges that Lender has relied upon the principals of Borrower and their experience in owning and operating properties similar to the Property in connection with the closing of the Countryside Lake Lanier Loan. Accordingly, except as specifically allowed hereinbelow in this Section and notwithstanding anything to the contrary contained in Section 4.5 hereof, in the event that the Property or any part thereof or interest therein shall be sold (including any installment sales agreement), conveyed, disposed of, alienated, hypothecated, leased (except to tenants of space in the Improvements in accordance with the provisions of Section 1.12 hereof), assigned, pledged, mortgaged, further encumbered or otherwise transferred or Borrower shall be divested of its title to the Property or any interest therein, in any manner or way, whether voluntarily or involuntarily, without the prior written consent of Lender being first obtained, which consent may be withheld in Lender's sole discretion, then the same shall constitute an Event of Default and Lender shall have the right, at its option, to declare any or all of the indebtedness secured hereby, irrespective of the maturity date specified in any of the Notes, immediately due and payable and to otherwise exercise any of its other rights and remedies contained in Article III hereof. If such acceleration is during any period when a prepayment fee is payable pursuant to the provisions set forth in the Notes, then, in addition to all of the foregoing, such prepayment fee shall also then be immediately due and payable to the same end as though Borrower were prepaying the entire indebtedness secured hereby on the date of such acceleration. For the purposes of this Section, the sale, conveyance, transfer, disposition, alienation, hypothecation, pledge or encumbering (whether voluntarily or involuntarily) of all or any portion of the ownership interest in (or, directly or indirectly through constituent parties, any of the ultimate beneficial ownership interest in) Borrower shall be deemed to be a transfer of an interest in the Property. Notwithstanding the foregoing, however, transfers or assignments of ownership interests in Borrower (and/or its constituent parties) may be undertaken without the consent of Lender in each of the following circumstances:

(1) Direct or indirect ownership interests in Borrower, Sun QRS Countryside Manager, Inc., a Michigan corporation, and/or Sun Communities Operating Limited Partnership, a Michigan limited partnership ("SCOLP") may be freely transferred so long as Sun Communities, Inc., a Maryland corporation ("Sun") maintains at least a 51% ultimate beneficial ownership interest in Borrower.

(2) The sale, conveyance, transfer, disposition, alienation, hypothecation, pledge or encumbering (whether voluntarily or involuntarily) of all or any portion of the stock of (or, directly or indirectly through constituent parties, any of the ultimate beneficial ownership interest in the stock of) Sun shall not be prohibited by the restrictions contained in this Section 1.13.

(3) Involuntary assignments or transfers caused by the death, incompetence or dissolution of Borrower, any of its constituent parties or the owner of any of its constituent parties are permitted if: (i) Borrower is reconstituted, if required, following such death, incompetence or dissolution, and (ii) Sun maintains at least a 51% ultimate beneficial ownership interest in Borrower.

In all cases where assignment of ownership interests is allowed pursuant to this Section 1.13(a), the proportionate ownership which is proposed to be transferred shall be calculated so as to take into account prior transfers or assignments occurring after the date hereof.

(b) Notwithstanding the foregoing provisions of this Section, Lender shall consent to a sale, conveyance or transfer of the Property in its entirety or 100% of the ownership interests in Borrower (hereinafter, a "Sale") to any person or entity provided that each of the following terms and conditions are satisfied:

(1) No Event of Default or any other default is then continuing hereunder or under any of the other Loan Documents;

(2) Borrower gives Lender written notice of the terms of such prospective Sale not less than thirty (30) days before the date on which such Sale is scheduled to close and, concurrently therewith, gives Lender all reasonable information concerning the proposed transferee of the Property (hereinafter, a "Buyer") as Lender would require in evaluating an initial extension of credit to a borrower and pays to Lender a non-refundable application fee in the amount of \$5,000.00 (the "Application Fee"). Lender shall have the right, in its reasonable discretion, to approve or disapprove the proposed Buyer. In determining whether to give or withhold its approval of the proposed Buyer, Lender shall utilize its customary underwriting criteria as applied in the origination of the Loan, and shall consider, among other things, the Buyer's experience and track record in owning and operating facilities similar to the Property, the Buyer's entity structure, the Buyer's financial strength, the Buyer's general business standing and the Buyer's relationships and experience with contractors, vendors, tenants, lenders and other business entities;

(3) Borrower pays Lender, concurrently with the closing of such Sale, a non-refundable assumption fee (the "Assumption Fee") equal to one percent (1.0%) of the then outstanding principal balance of the Countryside Lake Lanier Note;

(4) The Buyer assumes and agrees to pay the indebtedness secured hereby subject to the provisions of Section 4.23 hereof and to perform the covenants of Borrower under the Loan Documents, including, without limitation, that certain Post Closing Agreement, if any, executed in connection herewith, and, prior to or concurrently with the closing of such Sale, the Buyer executes, without any cost or expense to Lender, such documents and agreements as Lender shall reasonably require to evidence and effectuate said assumption and delivers such legal opinions as Lender may require;

(5) Borrower and the Buyer hereby authorize Lender to prepare, file of record or otherwise effectuate new financing statements or financing statement amendments which describe all or any portion of the assets of Borrower and the Buyer as collateral thereunder and further, Borrower and the Buyer will execute any other additional documents reasonably requested by Lender, all without cost to Lender. Borrower and the Buyer specifically authorize Lender to cause such financing statements to be filed without any signature of a representative of the Borrower or Buyer appearing thereon, where such filings are permitted by applicable law;

(6) Borrower delivers to Lender, without any cost or expense to Lender, such endorsements to Lender's Title Insurance Policy, hazard insurance endorsements or certificates and other similar materials as Lender may deem necessary at the time of the Sale, all in form and substance satisfactory to Lender, including, without limitation, an endorsement or endorsements to Lender's Title Insurance Policy insuring the lien of this Security Deed, extending the effective date of such policy to the date of execution and delivery (or, if later, of recording) of the assumption agreement referenced above in subparagraph (4) of this Section 1.13(b) with no additional exceptions added to such policy and insuring that fee simple title to the Property is vested in the Buyer;

(7) Borrower executes and delivers to Lender, without any cost or expense to Lender, a release of Lender, its officers, directors, employees and agents, from all claims and liability relating to the transactions evidenced by the Loan Documents through and including the date of the closing of the Sale, which agreement shall be in form and substance satisfactory to Lender and shall be binding upon the Buyer, and which shall provide for a release by Lender of Borrower, SCOLP, and their respective officers, directors, employees and agents, from all claims and liability relating to the transactions evidenced by the Loan Documents from and after the date of the closing of the Sale;

(8) Subject to the provisions of Section 4.23 hereof, such Sale is not construed so as to relieve Borrower of any personal liability under the Countryside Lake Lanier Note or any of the other Loan Documents for any acts or events occurring or obligations arising prior to or simultaneously with the closing of such Sale and Borrower executes, without any cost or expense to Lender, such documents and agreements as Lender shall reasonably require to evidence and effectuate the ratification of said personal liability; provided that if a party associated with the Buyer approved by Lender in its sole discretion assumes the personal liability of the Borrower under the Countryside Lake Lanier Note or any of the other Loan Documents and such party associated with the Buyer executes, without any cost or expense to Lender, a guaranty, indemnity agreement or other instrument assuming such liability in form and substance satisfactory to Lender, then Lender shall release the current Borrower from all such personal liability under the Countryside Lake Lanier Note or any of the other Loan Documents after the closing of such Sale;

(9) Such Sale is not construed so as to relieve any current guarantor or indemnitor of its obligations under any guaranty or indemnity agreement executed in connection with the loan secured hereby and each such current guarantor and indemnitor executes, without any cost or expense to Lender, such documents and agreements as Lender shall reasonably require to evidence and effectuate the ratification of each such guaranty and indemnity agreement, provided that if a party associated with the Buyer approved by Lender in its sole discretion assumes the obligations of the current guarantor or indemnitor under its guaranty or indemnity agreement and such party associated with the Buyer executes, without any cost or expense to Lender, a new guaranty or indemnity agreement in form and substance satisfactory to Lender, then Lender shall release the current guarantor or indemnitor from all obligations arising under its guaranty or indemnity agreement after the closing of such Sale;

(10) The Buyer shall furnish, if the Buyer is a corporation, partnership or other entity, all documents evidencing the Buyer's capacity and good standing, and the qualification of the signers to execute the assumption of the indebtedness secured hereby, which papers shall include, but not in any way be limited to, certified copies of all documents relating to the organization and formation of the Buyer and of the entities, if any, which are partners or members of the Buyer. The Buyer and such constituent partners, members or shareholders of Buyer (as the case may be), as Lender may require, shall be single-purpose, single-asset "bankruptcy remote" entities, whose formation documents shall be approved by counsel to Lender. To the extent Borrower desires that its Buyer be a single member limited liability company, Lender shall be entitled to impose additional requirements with respect to Buyer including, without limitation, requirements as to the state of its organization and the necessity for additional opinions of counsel, etc. An individual recommended by the Buyer and approved by Lender shall serve as an Independent Director (as defined in Section 1.32(u) of this Security Deed) of the Buyer (if the Buyer is a corporation or a limited liability company) or the Buyer's corporate or limited liability company general partner (if the Buyer is a partnership) or an independent member or, in Lender's discretion, manager, of Buyer (if the Buyer is a limited liability company). Unanimous consent of the board of directors (including the Independent Director) shall be required for, among other things, any merger, consolidation, dissolution, bankruptcy or insolvency of any such constituent partner, member or shareholder of the Buyer (as the case may be) or of the Buyer;

(11) The Buyer, if required by Lender, shall furnish an opinion of counsel satisfactory to Lender and its counsel (i) that the Buyer's formation documents provide for the matters described in subparagraph (10) of this Section 1.13(b), (ii) that the assumption of the indebtedness evidenced hereby has been duly authorized, executed and delivered, and that the Loan Documents are valid, binding and enforceable against the Buyer in accordance with their terms, (iii) that the Buyer and any entity which is a controlling stockholder or general partner of Buyer, have been duly organized, and are in existence and good standing, (iv) that the assets of the Buyer will not be consolidated with the assets of any other entity (including the Buyer's general partner or managing member, if any) having an interest in, or affiliation with, the Buyer, in the event of bankruptcy or insolvency of any such entity or such general partner or managing member, and (v) with respect to such other matters, as Lender may request;

(12) If the Buyer is a single-member limited liability company, Buyer must be formed in the state of Delaware, and the Buyer's operating agreement must provide for the continued existence of the Buyer in the event of the bankruptcy, death, or dissolution, liquidation, termination or adjudication of incompetency of the sole member. The Buyer, if required by Lender, shall also furnish an opinion of counsel satisfactory to Lender and its counsel that if the Buyer is a single-member limited liability company, (i) the Buyer is a separate legal entity formed in the state of Delaware; (ii) the separate existence of the Buyer shall continue until the cancellation of the certificate of organization; (iii) the Buyer's operating agreement provides for the continued existence of the Buyer in the event of the bankruptcy, death, or dissolution, liquidation, termination or adjudication of incompetency of the sole member, and that such provisions would be enforceable notwithstanding the bankruptcy, death, dissolution, liquidation, termination

or adjudication of incompetency of the sole member; (iv) any judgment creditor of the sole member may not satisfy its claims against the sole member by asserting a claim against the Property or any other assets of the Buyer; (v) a federal bankruptcy court would hold that the laws of the state of organization of the Buyer, and not federal law, govern the determination of what persons or entities have authority to file a voluntary bankruptcy petition on behalf of the Buyer; (vi) in order for any person or entity to file a voluntary bankruptcy petition on behalf of the Buyer, the prior unanimous approval or written consent of the member and the board of directors, including the Independent Director, of the SPC Entity (each as defined in Section 1.32(u)) is required; and (vii) such requirements and all other provisions of the Buyer's operating agreement are the valid, binding and enforceable agreements of the sole member;

(13) If required under the operative documents with respect to a Secondary Market Transaction, Lender shall have received evidence in writing from the Rating Agency (as hereinafter defined), at the sole cost and expense of Borrower, to the effect that the proposed transfer will not result in a re-qualification, reduction, downgrade or withdrawal of any rating initially assigned or to be assigned in a Secondary Market Transaction or, if no such rating has been issued, in Lender's good faith judgment, such transfer shall not have an adverse effect on the level of rating obtainable in connection with the Countryside Lake Lanier Loan;

(14) Borrower shall reimburse Lender for all of Lender's reasonable out-of-pocket costs and expenses (including, without limitation, reasonable attorneys' fees and disbursements and Rating Agency fees and expenses) incurred or anticipated to be incurred by Lender in connection with a Sale including, without limitation, Lender's determination of whether Borrower has satisfied all of the conditions and requirements set forth in this Section 1.13(b);

(15) All of the Related Properties (as defined in Exhibit C) shall be subject to a simultaneous Sale to the identical Buyer (or affiliated buyers with common ownership) in satisfaction of all requirements of the Deeds of Trust; and

(16) Borrower's obligations under the contract of sale pursuant to which such Sale, conveyance or transfer is proposed to occur shall expressly be subject to the satisfaction of the terms and conditions of this Section 1.13(b).

(c) Singular Assumption. Notwithstanding the provisions of Section 1.13(b)(15) above, from and after the expiration of the second (2nd) anniversary of the date hereof, Borrower shall be entitled to undertake a Sale of the Property to a third-party unaffiliated Buyer negotiated with such Buyer at arms' length and without undertaking simultaneous Sales of the Other Properties (such transaction is herein referred to as a "Singular Assumption") subject to Borrower's satisfaction of the following requirements:

(1) Both of the following conditions shall be satisfied: (i) the loan-to-value ratio as to the remaining principal balance of the Other Loans (after taking into account any principal reduction payment made pursuant to Section 1.13(c)(3) below) to the appraised value of the Other Properties shall not exceed eighty percent (80%), and

(ii) the loan-to-value ratio of the remaining principal balance of the Countryside Lake Lanier Note (after taking into account any principal reduction payment made pursuant to Section 1.13(c)(3) below) to the appraised value of the Property shall not exceed eighty percent (80%);

(2) Both of the following conditions shall be satisfied: (i) the debt service coverage ratio for the Other Properties and Other Loans, after taking into account any prepayment made pursuant to Section 1.13(c)(3) below shall not be less than 1.20:1, and (ii) the debt service coverage ratio for the Property and the Countryside Lake Lanier Note, also after taking into account any prepayment made pursuant to Section 1.13(c)(3) below shall not be less than 1.20:1;

(3) If necessary to satisfy the conditions described in Section 1.13(c)(1) and (c)(2) above, Borrower shall make (and/or as applicable, shall cause the Other Borrowers to make) a partial prepayment of the Countryside Lake Lanier Note equal to the amount necessary to fully satisfy the loan-to-value and debt service coverage ratio requirements specified in Sections 1.13(c)(1) and 1.13(c)(2). Any partial prepayment of the Notes undertaken pursuant to this Section 1.13(c)(3) shall be allocated amongst the Countryside Lake Lanier Note and the Other Notes such that the loan-to-value and debt service coverage ratio tests required pursuant to Section 1.13(c)(1) and 1.13(c)(2) above are satisfied. Any partial prepayment of the Countryside Lake Lanier Note or the Other Notes undertaken pursuant to this Section 1.13(c)(3) shall require the payment of an appropriate prepayment fee as calculated for each such promissory note as follows:

<u>amount being prepaid</u> outstanding loan balance	times(x)	Required Yield Maintenance (as defined in the Countryside Lake Lanier Note)
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Under no circumstances shall Borrower be required to pay a prepayment fee pursuant to the foregoing formula which would violate the terms of Section 2.3 of the Countryside Lake Lanier Note;

(4) With the exception of the conditions specified above in Section 1.13(b)(15), all of the conditions generally required with respect to a Sale as described in Section 1.13(b) above shall be satisfied; and

An amendment (the "Uncross Amendment") shall be entered into with respect to this Security Deed, the Other Deeds of Trust and the Loan Documents related to the Other Loans such that (i) this Security Deed shall only thereafter secure the Countryside Lake Lanier Note and shall no longer serve as security for the Other Notes, (ii) the Other Deeds of Trust shall be modified so as to no longer cause the Other Properties to serve as security for the Countryside Lake Lanier Loan, and (iii) conforming changes shall be made to all of the other Loan Documents in a manner satisfactory to Lender in all respects.

1.14 Payment of Utilities, Assessments, Charges, Etc. Borrower shall pay when due all utility charges which are incurred by Borrower or which may become a charge or lien against any portion of the Property for gas, electricity, water and sewer services furnished to the Real Estate and/or the Improvements and all other assessments or charges of a similar nature, or assessments payable pursuant to any restrictive covenants, whether public or private, affecting the Real Estate and/or the Improvements or any portion thereof, whether or not such assessments or charges are or may become liens thereon.

1.15 Access Privileges and Inspections. Lender and the agents, representatives and employees of Lender shall, subject to the rights of tenants, have full and free access to the Real Estate and the Improvements and any other location where books and records concerning the Property are kept at all reasonable times for the purposes of inspecting the Property and of examining, copying and making extracts from the books and records of Borrower relating to the Property. Borrower shall lend assistance to all such agents, representatives and employees of Lender.

1.16 Waste; Alteration of the Property. Borrower shall not commit, suffer or permit any waste on the Property nor take any actions that might invalidate any insurance carried on the Property. Borrower shall maintain the Property in good condition and repair. No part of the Improvements may be removed, demolished or materially altered, without the prior written consent of Lender. Without the prior written consent of Lender, Borrower shall not commence construction of any improvements on the Real Estate other than improvements required for the maintenance or repair of the Property.

1.17 Zoning; Use. Without the prior written consent of Lender, Borrower shall not seek, make, suffer, consent to or acquiesce in any change in the zoning or conditions of use of the Real Estate or the Improvements. Borrower shall comply in all material respects with and make all payments required under the provisions of any covenants, conditions or restrictions affecting the Real Estate or the Improvements. Borrower shall comply in all material respects with all existing and future requirements of all governmental authorities having jurisdiction over the Property. Borrower shall keep all licenses, permits, franchises, certificates of occupancy, consents, and other approvals necessary for the operation of the Property in full force and effect. Borrower shall operate the Property as one or more manufactured home communities for so long as the indebtedness secured hereby is outstanding. If, under applicable zoning provisions, the use of all or any part of the Real Estate or the Improvements is or becomes a nonconforming use, Borrower shall not cause or permit such use to be discontinued or abandoned without the prior written consent of Lender. Further, without Lender's prior written consent, Borrower shall not file or subject any part of the Real Estate or the Improvements to any declaration of condominium or cooperative or convert any part of the Real Estate or the Improvements to a condominium, cooperative or other form of multiple ownership and governance.

1.18 Financial Statements and Books and Records. Borrower shall keep accurate books and records of account of the Property and its own financial affairs sufficient to permit the preparation of financial statements therefrom in accordance with generally accepted accounting principles. Lender and its duly authorized representatives shall have the right to examine, copy and audit Borrower's records and books of account at all reasonable times. So long as this Security Deed continues in effect, Borrower shall provide to Lender, in addition to any other

financial statements required hereunder or under any of the other Loan Documents, the following financial statements and information, all of which must be certified to Lender as being true and correct by Borrower or the entity to which they pertain, as applicable, be prepared in accordance with generally accepted accounting principles consistently applied and be in form and substance acceptable to Lender:

(a) copies of all tax returns filed by Borrower, within thirty (30) days after the date of filing;

(b) quarterly operating statements for the Property, within sixty (60) days after the end of each March, June, September and December, provided, operating statements shall be delivered within ten (10) days of request by Lender in connection with a Secondary Market Transaction;

(c) current rent rolls for the Property, within sixty (60) days after the end of each March, June, September and December, provided, rent rolls shall be delivered shall be delivered within five (5) days of request by Lender in connection with a Secondary Market Transaction;

(d) annual balance sheets, statements of income and expenses and statements of changes in financial position for the Property and annual financial statements for Borrower, and each indemnitor and guarantor under any indemnity or guaranty executed in connection with the Loan within sixty (60) days after the end of each calendar year prepared and audited by such indemnitor or guarantor of Borrower's primary accountant; and

(e) such other information with respect to the Property, Borrower and each indemnitor and guarantor under any indemnity or guaranty executed in connection with the Countryside Lake Lanier Loan, which may be reasonably requested from time to time by Lender, within a reasonable time after the applicable request.

If any of the materials described in this Section 1.18(a)-(d) are not furnished to Lender within the applicable time periods, Borrower shall pay to Lender a late fee of \$250.00. Further, if any of the aforementioned materials are not furnished to Lender within the applicable time periods, or Lender is reasonably dissatisfied with the contents of any of the foregoing, in addition to any other rights and remedies of Lender contained herein, Lender shall have the right, but not the obligation, to obtain the same by means of an audit by an independent certified public accountant selected by Lender, in which event Borrower agrees to provide all necessary information to said accountant and to otherwise cooperate in the making of such audit. Borrower agrees that any and all materials furnished hereunder are the property of Lender (and its Servicer) and may be released and made available to such parties as Lender or its Servicer deems appropriate, including any Rating Agency responsible for rating securities issued in any Secondary Market Transaction.

1.19 Further Documentation. Borrower shall, on the request of Lender in its reasonable discretion and at the expense of Borrower, promptly correct any defect, error or omission which may be discovered in the contents of this Security Deed or in any of the other Loan Documents and promptly execute, acknowledge, deliver and record or file such further

instruments and do such further acts as may be necessary, desirable or proper to carry out more effectively the purposes of this Security Deed and the other Loan Documents or as may be reasonably deemed advisable by Lender to protect, continue or preserve the liens and security interests hereunder including, without limitation, security instruments, financing statements and continuation statements.

1.20 Payment of Costs; Advances to Protect Property.

(a) Payment of Costs. Borrower shall pay all reasonable costs and expenses of every character incurred in connection with the closing of the Loans or otherwise attributable or chargeable to Borrower as the owner of the Property, including, without limitation, appraisal fees, recording fees, documentary, stamp, mortgage or intangible taxes, brokerage fees and commissions, title policy premiums and title search fees, uniform commercial code/tax lien/litigation search fees, escrow fees and reasonable attorneys' fees. Unless otherwise specified herein, with respect to any action by Borrower permitted hereunder, Borrower shall pay all of its own costs and expenses relating thereto but excluding any costs and expenses incurred by Lender or any party involved in such actions as a result of a Secondary Market Transaction.

(b) Advances to Protect Property. Without limiting or waiving any other rights and remedies of Lender hereunder, if Lender determines that Borrower is not adequately performing or has failed to perform any of its obligations, covenants or agreements contained in this Security Deed or in any of the other Loan Documents and such inadequacy or failure is not cured within any applicable grace or cure period, or if any action or proceeding of any kind (including, but not limited to, any bankruptcy, insolvency, arrangement, reorganization or other debtor relief proceeding) is commenced which might affect Lender's interest in the Property or Lender's right to enforce its security, then Lender may, at its option, with or without notice to Borrower, make any appearances, disburse or advance any sums and take any actions as may be necessary or desirable to protect or enforce the security of this Security Deed or to remedy the failure of Borrower to perform its covenants and agreements (without, however, waiving any Event of Default or other default hereunder of Borrower). Borrower agrees to pay on demand all expenses of Lender reasonably incurred with respect to the foregoing (including, but not limited to, fees and disbursements of counsel), together with interest thereon at the Default Interest Rate from and after the date on which Lender incurs such expenses until reimbursement thereof by Borrower. Any such expenses so incurred by Lender, together with interest thereon as provided above, shall be additional indebtedness of Borrower secured by this Security Deed and by all of the other Loan Documents securing all or any part of the indebtedness evidenced by the Notes. The necessity for any such actions and of the amounts to be paid shall be determined by Lender in its sole and absolute discretion. Lender is hereby empowered to enter and to authorize others to enter upon the Property or any part thereof for the purpose of performing or observing any such defaulted term, covenant or condition without thereby becoming liable to Borrower or any person in possession holding under Borrower. Borrower hereby acknowledges and agrees that the remedies set forth in this Section 1.20(b) shall be exercisable by Lender, and any and all payments made or costs or expenses incurred by Lender in connection therewith shall be secured hereby and shall be, without demand, immediately repaid by Borrower with interest thereon at the Default Interest Rate, notwithstanding the fact that such remedies were exercised and such payments made and costs incurred by Lender after the filing by Borrower of a voluntary case or the filing against Borrower of an involuntary case pursuant to or within the meaning of Title 11,

United States Code (the "Bankruptcy Code"), or after any similar action pursuant to any other debtor relief law (whether statutory, common law, case law or otherwise) of any jurisdiction whatsoever, now or hereafter in effect, which may be or become applicable to Borrower, Lender, any guarantor or indemnitor, the secured indebtedness or any of the Loan Documents. This indemnity shall survive payment in full of the indebtedness secured hereby. This Section 1.20(b), shall not be construed to require Lender to incur any expenses, make any appearances or take any actions.

1.21 Security Interest. This Security Deed is also intended to encumber and create a security interest in, and Borrower hereby grants to Lender a security interest in, all Reserves (as hereinabove defined), fixtures, chattels, accounts, equipment, inventory, contract rights, general intangibles and other personal property included within the Property, all renewals, replacements of any of the aforementioned items, or articles in substitution therefor or in addition thereto or the proceeds thereof (said property is hereinafter referred to collectively as the "Collateral"), whether or not the same shall be attached to the Real Estate or the Improvements in any manner. It is hereby agreed that to the extent permitted by law, all of the foregoing property is to be deemed and held to be a part of and affixed to the Real Estate and the Improvements. The foregoing security interest shall also cover Borrower's leasehold interest in any of the foregoing property which is leased by Borrower. Notwithstanding the foregoing, all of the foregoing property shall be owned by Borrower and no leasing or installment sales or other financing or title retention agreement in connection therewith shall be permitted without the prior written approval of Lender. Borrower shall promptly replace all of the Collateral subject to the lien or security interest of this Security Deed when worn out or obsolete with Collateral comparable to the worn out or obsolete Collateral when new and will not, without the prior written consent of Lender, remove from the Real Estate or the Improvements any of the Collateral subject to the lien or security interest of this Security Deed except such as is replaced by an article of equal suitability and value as above provided, owned by Borrower free and clear of any lien or security interest except that created by this Security Deed and the other Loan Documents and except as otherwise expressly permitted by the terms of Section 1.13 of this Security Deed. All of the Collateral shall be kept at the location of the Real Estate except as otherwise required by the terms of the Loan Documents. Borrower shall not use any of the Collateral in violation of any applicable statute, ordinance or insurance policy.

1.22 Security Agreement. This Security Deed constitutes both a deed to secure debt and a "security agreement" between Borrower and Lender with respect to the Collateral in which Lender is granted a security interest hereunder, and, cumulative of all other rights and remedies of Lender hereunder, Lender shall have all of the rights and remedies of a secured party under any applicable Uniform Commercial Code. Borrower hereby irrevocably authorizes Lender at any time and from time to time to prepare, file of record in any Uniform Commercial Code jurisdiction or otherwise effectuate new financing statements or financing statement amendments which (a) indicate the Collateral (i) as all assets of Borrower or words of similar effect, regardless of whether any particular asset comprised in the Collateral falls within the scope of Article 9 of any applicable Uniform Commercial Code, or (ii) by any other description which reasonably approximates the description contained in this Security Deed, and (b) provide any other information required by part 5 of Article 9 of any applicable Uniform Commercial Code, for the sufficiency or filing office acceptance of any financing statement or amendment, including (i) whether Borrower is an organization, the type of organization and any

organizational identification number issued to Borrower and, (ii) in the case of a financing statement filed as a fixture filing or indicating Collateral as as-extracted collateral or timber to be cut, a sufficient description of real property to which the Collateral relates. Borrower agrees to furnish any such information to Lender promptly upon the Lender's request. Borrower specifically agrees that Lender may cause such financing statements and financing statement amendments to be filed without any signature of a representative of the Borrower appearing thereon, where such filings are permitted by applicable law. Borrower hereby further agrees to execute and deliver on demand and hereby irrevocably constitutes and appoints Lender the attorney-in-fact of Borrower to execute and deliver and, if appropriate, to file with the appropriate filing officer or office such security agreements, financing statements, continuation statements or other instruments as Lender may request or require in order to impose, perfect or continue the perfection of the lien or security interest created hereby. Borrower also ratifies its authorization for Lender to have filed in any Uniform Commercial Code jurisdiction any like initial financing statements or amendments thereto if filed prior to the date hereof. Expenses of retaking, holding, preparing for sale, selling or the like (including, without limitation, Lender's reasonable attorneys' fees and legal expenses), together with interest thereon at the Default Interest Rate from the date incurred by Lender until actually paid by Borrower, shall be paid by Borrower on demand and shall be secured by this Security Deed and by all of the other Loan Documents securing all or any part of the indebtedness evidenced by the Notes. If notice is required by law, Lender shall give Borrower at least ten (10) days' prior written notice of the time and place of any public sale of such property or of the time of or after which any private sale or any other intended disposition thereof is to be made, and if such notice is sent to Borrower, as the same is provided for the mailing of notices herein, it is hereby deemed that such notice shall be and is reasonable notice to Borrower. No such notice is necessary for any such property which is perishable, threatens to decline speedily in value or is of a type customarily sold on a recognized market. Any sale made pursuant to the provisions of this Section 1.22 shall be deemed to have been a public sale conducted in a commercially reasonable manner if held contemporaneously with the foreclosure sale as provided in Section 3.1(e) hereof upon giving the same notice with respect to the sale of the Property hereunder as is required under said Section 3.1(e). Furthermore, to the extent permitted by law, in conjunction with, in addition to or in substitution for the rights and remedies available to Lender pursuant to any applicable Uniform Commercial Code:

(a) In the event of a foreclosure sale, the Property may, at the option of Lender, be sold as a whole;

(b) It shall not be necessary that Lender take possession of the aforementioned Collateral, or any part thereof, prior to the time that any sale pursuant to the provisions of this Section 1.22 is conducted and it shall not be necessary that said Collateral, or any part thereof, be present at the location of such sale; and

(c) Lender may appoint or delegate any one or more persons as agent to perform any act or acts necessary or incident to any sale held by Lender, including the sending of notices and the conduct of the sale, but in the name and on behalf of Lender.

Borrower will not change the principal place of business or chief executive office set forth below, or change the state of its organization or registration, or change its name, without in each

instance, the prior written consent of Lender. Lender's consent will, however, be conditioned upon, among other things, the execution and delivery of additional financing statements, security agreements and other instruments which may be necessary to effectively evidence or perfect Lender's security interest in the Collateral as a result of such changes. The name, principal place of business and chief executive office of Borrower (as Debtor under any applicable Uniform Commercial Code), as of the date hereof, are:

Sun Countryside Lake Lanier LLC
27777 Franklin Road, Suite 200
Southfield, Michigan 48034
Attention: Jonathan M. Colman

The name and address of Lender (as Secured Party under any applicable Uniform Commercial Code), as of the date hereof, are:

ARCS Commercial Mortgage Co., L.P.
26901 Agoura Road, Suite 200
Calabasas Hills, California 91301

1.23 Easements and Rights-of-Way. Borrower shall not grant any easement or right-of-way with respect to all or any portion of the Real Estate or the Improvements without the prior written consent of Lender. The purchaser at any foreclosure sale hereunder may, at its discretion, disaffirm any easement or right-of-way granted in violation of any of the provisions of this Security Deed and may take immediate possession of the Property free from, and despite the terms of, such grant of easement or right-of-way. If Lender consents to the grant of an easement or right-of-way, Lender agrees to grant such consent without charge to Borrower other than reasonable expenses, including, without limitation, reasonable attorneys' fees, incurred by Lender in the review of Borrower's request and, if applicable, in the preparation of documents relating to the subordination of this Security Deed to such easement or right-of-way.

1.24 Compliance with Laws.

(a) Borrower shall at all times comply in all material respects with all statutes, ordinances, regulations and other governmental or quasi-governmental requirements and private covenants now or hereafter relating to the ownership, construction, use or operation of the Property, including, but not limited to, those concerning employment and compensation of persons engaged in operation and maintenance of the Property and any environmental or ecological requirements, even if such compliance shall require structural changes to the Property; provided, however, that Borrower may, upon providing Lender with security satisfactory to Lender, proceed diligently and in good faith to contest the validity or applicability of any such statute, ordinance, regulation or requirement so long as during such contest the Property shall not be subject to any lien, charge, fine or other liability and shall not be in danger of being forfeited, lost or closed. Borrower shall not use or occupy, or allow the use or occupancy of, the Property in any manner which violates any Lease of or any other agreement applicable to the Property or any applicable law, rule, regulation or order or which constitutes a public or private nuisance or which makes void, voidable or cancelable, or increases the premium of, any insurance then in force with respect thereto.

(b) Borrower agrees that the Property shall at all times comply in all material respects and to the extent applicable with the requirements of the Americans with Disabilities Act of 1990, the Fair Housing Amendments Act of 1988 and all other state and local laws and ordinances related to handicapped access and all rules, regulations, and orders issued pursuant thereto including, without limitation, the Americans with Disabilities Act Accessibility Guidelines for Buildings and Facilities ("Access Laws"). Borrower agrees to give prompt notice to Lender of the receipt by Borrower of any complaints related to violations of any Access Laws and of the commencement of any proceedings or investigations which relate to compliance with applicable Access Laws.

1.25 Additional Taxes. In the event of the enactment after this date of any law of the state where the Property is located or of any other governmental entity deducting from the value of the Property for the purpose of taxation any lien or security interest thereon, or imposing upon Lender the payment of the whole or any part of the taxes or assessments or charges or liens herein required to be paid by Borrower, or changing in any way the laws relating to the taxation of mortgages, deeds of trust or security agreements or debts secured by mortgages, deeds of trust or security agreements or the interest of the mortgagee, beneficiary or secured party in the property covered thereby, or the manner of collection of such taxes, so as to adversely affect this Security Deed or the indebtedness secured hereby or Lender, then, and in any such event, Borrower, upon demand by Lender, shall pay such taxes, assessments, charges or liens, or reimburse Lender therefor; provided, however, that if in the opinion of counsel for Lender (a) it might be unlawful to require Borrower to make such payment, or (b) the making of such payment might result in the imposition of interest beyond the maximum amount permitted by law, then and in either such event, Lender may elect, by notice in writing given to Borrower, to declare all of the indebtedness secured hereby to be and become due and payable in full, thirty (30) days from the giving of such notice.

1.26 Borrower's Waivers. To the full extent permitted by law, Borrower agrees that Borrower shall not at any time insist upon, plead, claim or take the benefit or advantage of any law now or hereafter in force providing for any appraisal, valuation, stay, moratorium or extension, or any law now or hereafter in force providing for the reinstatement of the indebtedness secured hereby prior to any sale of the Property to be made pursuant to any provisions contained herein or prior to the entering of any decree, judgment or order of any court of competent jurisdiction, or any right under any statute to redeem all or any part of the Property so sold. To the full extent permitted by law, Borrower shall not have or assert any right under any statute or rule of law pertaining to the exemption of homestead or other exemption under any federal, state or local law now or hereafter in effect, the administration of estates of decedents or any other matters whatsoever to defeat, reduce or affect the right of Lender under the terms of this Security Deed to a sale of the Property, for the collection of the secured indebtedness without any prior or different resort for collection, or the right of Lender under the terms of this Security Deed to the payment of the indebtedness secured hereby out of the proceeds of sale of the Property in preference to every other claimant whatever. Borrower, for Borrower and Borrower's successors and assigns, and for any and all persons ever claiming any interest in the Property, to the full extent permitted by law, hereby knowingly, intentionally and voluntarily with and upon the advice of competent counsel waives, releases, relinquishes and forever forgoes: (a) all rights of valuation, appraisal, stay of execution, reinstatement and notice of election or intention to mature or declare due the secured indebtedness (except such notices as

are specifically provided for herein); (b) all right to a marshalling of the assets of Borrower, including the Property, to a sale in the inverse order of alienation, or to direct the order in which any of the Property shall be sold in the event of foreclosure of the liens and security interests hereby created and agrees that any court having jurisdiction to foreclose such liens and security interests may order the Property sold as an entirety; (c) all rights and periods of redemption provided under applicable law; and (d) all present and future statutes of limitations as a defense to any action to enforce the provisions of this Security Deed or to collect any of the indebtedness secured hereby to the fullest extent permitted by law and agrees that it shall not solicit or aid the solicitation of the filing of any Petition (as hereinafter defined) against the Borrower, whether acting on its own behalf or on behalf of any other party. Without limiting the generality of the foregoing, Borrower shall not (i) provide information regarding the identity of creditors or the nature of creditors' claims to any third party unless compelled to do so by order of a court of competent jurisdiction or by regulation promulgated by a governmental agency; or (ii) pay the legal fees or expenses of any creditor of or interest holder in Borrower with respect to any matter whatsoever.

1.27 **SUBMISSION TO JURISDICTION; WAIVER OF JURY TRIAL.**

(a) **BORROWER, TO THE FULL EXTENT PERMITTED BY LAW, HEREBY KNOWINGLY, INTENTIONALLY AND VOLUNTARILY, WITH AND UPON THE ADVICE OF COMPETENT COUNSEL, (i) SUBMITS TO PERSONAL JURISDICTION IN THE STATE OF GEORGIA OVER ANY SUIT, ACTION OR PROCEEDING BY ANY PERSON ARISING FROM OR RELATING TO THE COUNTRYSIDE LAKE LANIER NOTE, THIS SECURITY DEED OR ANY OTHER OF THE LOAN DOCUMENTS, (ii) AGREES THAT ANY SUCH ACTION, SUIT OR PROCEEDING MAY BE BROUGHT IN ANY STATE OR FEDERAL COURT OF COMPETENT JURISDICTION PRESIDING OVER HALL COUNTY, GEORGIA, (iii) SUBMITS TO THE JURISDICTION OF SUCH COURTS, AND (iv) AGREES THAT IT WILL NOT BRING ANY ACTION, SUIT OR PROCEEDING IN ANY OTHER FORUM (BUT NOTHING HEREIN SHALL AFFECT THE RIGHT OF LENDER TO BRING ANY ACTION, SUIT OR PROCEEDING IN ANY OTHER FORUM). TO THE FULLEST EXTENT PERMITTED BY LAW, BORROWER FURTHER CONSENTS AND AGREES TO SERVICE OF ANY SUMMONS, COMPLAINT OR OTHER LEGAL PROCESS IN ANY SUCH SUIT, ACTION OR PROCEEDING BY REGISTERED OR CERTIFIED U.S. MAIL, POSTAGE PREPAID, TO THE BORROWER AT THE ADDRESS FOR NOTICES DESCRIBED IN SECTION 4.4 HEREOF, AND CONSENTS AND AGREES THAT SUCH SERVICE SHALL CONSTITUTE IN EVERY RESPECT VALID AND EFFECTIVE SERVICE (BUT NOTHING HEREIN SHALL AFFECT THE VALIDITY OR EFFECTIVENESS OF PROCESS SERVED IN ANY OTHER MANNER PERMITTED BY LAW).**

(b) **BORROWER, TO THE FULL EXTENT PERMITTED BY LAW, HEREBY KNOWINGLY, INTENTIONALLY AND VOLUNTARILY, WITH AND UPON THE ADVICE OF COMPETENT COUNSEL, WAIVES, RELINQUISHES AND FOREVER FORGOES THE RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING BASED UPON, ARISING OUT OF, OR IN ANY WAY RELATING TO THE INDEBTEDNESS SECURED HEREBY OR ANY CONDUCT, ACT OR OMISSION**

OF LENDER OR BORROWER, OR ANY OF THEIR DIRECTORS, OFFICERS, PARTNERS, MANAGERS, MEMBERS, EMPLOYEES, AGENTS OR ATTORNEYS, OR ANY OTHER PERSONS AFFILIATED WITH LENDER OR BORROWER, IN EACH OF THE FOREGOING CASES, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE.

1.28 Intentionally deleted.

1.29 Management. The management of the Property shall be by either: (a) Borrower or an entity affiliated with Borrower approved by Lender for so long as Borrower or said affiliated entity is managing the Property in accordance with the standards customarily employed by Borrower and its affiliates, or (b) a professional property management company approved by Lender (any such person or entity which manages the Property, other than Borrower, is hereinafter referred to as the "Manager"). Any such management by an affiliated entity or a professional property management company shall be pursuant to a written agreement approved by Lender. In no event shall any Manager be removed or replaced or the terms of any management agreement modified or amended without the prior written consent of Lender. In the event (x) of an Event of Default or a default under any management contract then in effect, which default is not cured within any applicable grace or cure period, or (y) of a change in control (fifty percent or more) of the ownership of Manager or if Manager provides cause for termination, including, without limitation, gross negligence, willful misconduct or fraud, or (z) of the Manager becoming insolvent or a debtor in any bankruptcy or insolvency proceeding, Lender shall have the right to terminate, or to direct Borrower to terminate, such management contract at any time and, in any such event of termination of the management contract, to retain, or to direct Borrower to retain, a new management agent approved by Lender. Whenever the approval or consent of Lender is required hereunder, such approval or consent may be conditioned, without limitation, on Lender's obtaining evidence in writing from the Rating Agency to the effect that the proposed change in management company will not result in a re-qualification, reduction, downgrade or withdrawal of any rating initially assigned or to be assigned in a Secondary Market Transaction or, if no such rating has been issued, in Lender's good faith judgment, such change in management shall not adversely affect the level of rating attainable in connection with the Loan. In addition, if within forty-five (45) days before the end of each calendar quarter Borrower does not provide evidence of the achievement of a debt service coverage ratio of not less than **1.20:1.0** (the "Required DSCR"), Borrower, at Lender's request made at any time after such Required DSCR is not maintained, shall terminate the then current management agreement, or any subsequent agreement relating to the operation and management of the Property approved by Lender, and replace the then current Manager with a Manager approved by Lender or if no management agreement is then in place enter into a management agreement acceptable to Lender with a Manager approved by Lender. All Rents and Profits generated by or derived from the Property shall first be utilized solely for current expenses directly attributable to the ownership and operation of the Property, including, without limitation, current expenses relating to Borrower's liabilities and obligations with respect to this Security Deed and the other Loan Documents, and none of the Rents and Profits generated by or derived from the Property shall be diverted by Borrower and utilized for any other purposes unless all such current expenses attributable to the ownership and operation of the Property have been fully paid and satisfied.

(a) Borrower hereby represents and warrants to Lender that, as of the date hereof, except as disclosed in that certain Phase I Environmental Site Assessment dated June 26, 2006, prepared by LandAmerica Assessment Corporation (the "Environmental Report"), (i) the Property is not, and to the best of Borrower's knowledge, information and belief, the Property has not been, in direct or indirect violation of any local, state or federal law, rule or regulation pertaining to environmental regulation, contamination, remediation or human health and safety (including the regulation or remediation of Hazardous Substances as defined below) (collectively, "Environmental Laws"), all as amended; (ii) no hazardous, toxic or harmful substances, wastes, materials, pollutants or contaminants (including, without limitation, asbestos, polychlorinated biphenyls, petroleum products, radon, lead-based paint, flammable explosives, radioactive materials, infectious substances or raw materials which may include hazardous constituents) or any other substances or materials which are included under or regulated by Environmental Laws (collectively, "Hazardous Substances") are located on or have been handled, manufactured, generated, stored, processed, transported to or from, or disposed of on or Released or discharged from the Property (including underground contamination) except for those substances used by Borrower in the ordinary course of its business and in compliance with all Environmental Laws; (iii) the Property is not subject to any private or governmental lien or judicial, administrative or other notice or action relating to Hazardous Substances or noncompliance with Environmental Laws, nor is Borrower aware of any basis for such lien, notice or action; (iv) there are no underground storage tanks or other underground storage receptacles (whether active or abandoned) for Hazardous Substances on the Property; (v) Borrower has received no notice of, and to the best of Borrower's knowledge and belief, there does not exist any, investigation, action, proceeding or claim by any agency, authority or unit of government or by any third party which could result in any liability, penalty, sanction or judgment under any Environmental Laws with respect to any condition, use or operation of the Property; (vi) Borrower has received no notice that, and to the best of Borrower's knowledge and belief after due inquiry and investigation, there has been no claim by any party that, any use, operation or condition of the Property has caused any nuisance, trespass or any other liability or adverse condition on any other property, nor does Borrower know of any basis for such notice or claim; and (vii) there are no present environmental conditions or events or, to the best of Borrower's knowledge, past environmental conditions or events on or near the Property that could be reasonably anticipated to materially adversely affect the value of the Property.

(b) Except as described in the Environmental Report, Borrower shall keep or cause the Property to be kept free from Hazardous Substances (except those substances used by Borrower in the ordinary course of its business and by tenants in the ordinary course of their activities, in compliance with all Environmental Laws) and in compliance with all Environmental Laws, shall not install or use any underground storage tanks, shall expressly prohibit the use, generation, handling, storage, production, processing and disposal of Hazardous Substances by all tenants of space in the Improvements (except those substances used by tenants in the ordinary course of their activities and in compliance with all Environmental Laws), and invitees and trespassers, and, without limiting the generality of the foregoing, during the term of this Security Deed, shall not install in the Improvements or permit to be installed in the Improvements asbestos or any substance containing asbestos. If required by Lender (including if recommended in any third-party environmental report delivered to Lender) or under any

Environmental Law, Borrower shall maintain an Operations and Maintenance Program ("O&M Program") for the management of asbestos, lead-based paint, radon or any other Hazardous Substances at the Property.

(c) Borrower shall promptly notify Lender if Borrower shall become aware of (i) any Hazardous Substances at, on, under, affecting or threatening to affect the Property (except those substances used by Borrower or tenants in the ordinary course of their business or activities, respectively, and in compliance with all Environmental Laws), (ii) any lien, action or notice affecting or threatening to affect the Property or Borrower resulting from any violation or alleged violation of Environmental Law, (iii) any investigation, inquiry or proceeding concerning Borrower or the Property pursuant to any Environmental Law or otherwise relating to Hazardous Substances, or (iv) any occurrence, condition or state of facts which would render any representation or warranty in this Section incorrect in any respect if made at the time of such discovery. Further, immediately upon receipt of the same, Borrower shall deliver to Lender copies of any and all orders, notices, permits, applications, reports, and other communications, documents and instruments pertaining to the actual, alleged or potential non-compliance with any Environmental Laws in connection with the Property or presence or existence of any Hazardous Substances at, on, about, under, within, near or in connection with the Property (except those substances used in the ordinary course of its business or by tenants in their ordinary activities and in compliance with all Environmental Laws). Borrower shall, promptly, when and as required by an enforceable court order or administrative order of a governmental agency and regardless of the source of contamination, at Borrower's sole cost and expense, take all actions as shall be necessary or advisable for compliance with the terms of this Section 1.30 or for the remediation of any and all portions of the Property or other affected property, including, without limitation, all investigative, monitoring, removal, containment, remedial and response actions in accordance with all applicable Environmental Laws (and in all events in a manner satisfactory to Lender), and shall further pay or cause to be paid, at no expense to Lender, all remediation, response, administrative and enforcement costs of applicable governmental agencies which may be asserted against the Property. Nothing in the foregoing sentence requires Borrower to undertake remedial activities if the legal requirements or orders are satisfied by other measures including but not limited to institutional controls. In the event Borrower fails to do so (i) Lender may, but shall not be obligated to, undertake remediation at the Property or other affected property necessary to bring the Property into conformance with the terms of Environmental Laws, and (ii) Borrower hereby grants to Lender and its agents and employees access to the Property and a license to do all things Lender shall deem necessary to bring the Property into conformance with Environmental Laws. Such license does not waive any potential claims or rights Borrower might have against lender should Lender cause or exacerbate any contamination or violate any Environmental Laws. Any and all costs and expenses reasonably incurred by Lender in connection therewith, together with interest thereon at the Default Interest Rate from the date incurred by Lender until actually paid by Borrower, shall be immediately paid by Borrower on demand and shall be secured by this Security Deed and by all of the other Loan Documents securing all or any part of the indebtedness evidenced by the Notes. **BORROWER COVENANTS AND AGREES, AT BORROWER'S SOLE COST AND EXPENSE, TO INDEMNIFY, DEFEND (AT TRIAL AND APPELLATE LEVELS, AND WITH ATTORNEYS, CONSULTANTS AND EXPERTS ACCEPTABLE TO LENDER), AND HOLD LENDER HARMLESS FROM AND AGAINST ANY AND ALL LIENS, DAMAGES, LOSSES, LIABILITIES, OBLIGATIONS, SETTLEMENT PAYMENTS,**

PENALTIES, ASSESSMENTS, CITATIONS, DIRECTIVES, CLAIMS, LITIGATION, DEMANDS, DEFENSES, JUDGMENTS, SUITS, PROCEEDINGS, COSTS, DISBURSEMENTS AND EXPENSES OF ANY KIND OR OF ANY NATURE WHATSOEVER (INCLUDING, WITHOUT LIMITATION, REASONABLE ATTORNEYS', CONSULTANTS' AND EXPERTS' FEES AND DISBURSEMENTS ACTUALLY INCURRED IN INVESTIGATING, DEFENDING, SETTLING OR PROSECUTING ANY CLAIM, LITIGATION OR PROCEEDING) WHICH MAY AT ANY TIME BE IMPOSED UPON, INCURRED BY OR ASSERTED OR AWARDED AGAINST LENDER OR THE PROPERTY, AND ARISING DIRECTLY OR INDIRECTLY FROM OR OUT OF: (i) THE PRESENCE, RELEASE OR THREAT OF RELEASE OF ANY HAZARDOUS SUBSTANCES ON, IN, UNDER, AFFECTING OR THREATENING TO AFFECT ALL OR ANY PORTION OF THE PROPERTY, REGARDLESS OF WHETHER OR NOT CAUSED BY OR WITHIN THE CONTROL OF BORROWER, UNLESS SUCH CONDITION IS CAUSED BY OR EXACERBATED BY LENDER; (ii) THE VIOLATION OF ANY ENVIRONMENTAL LAWS RELATING TO, AFFECTING OR THREATENING TO AFFECT THE PROPERTY, WHETHER OR NOT CAUSED BY OR WITHIN THE CONTROL OF BORROWER UNLESS SUCH VIOLATION IS CAUSED BY LENDER; (iii) THE FAILURE BY BORROWER TO COMPLY FULLY WITH THE TERMS AND CONDITIONS OF THIS SECTION 1.30; (iv) THE BREACH OF ANY REPRESENTATION OR WARRANTY CONTAINED IN THIS SECTION 1.30; OR (v) THE ENFORCEMENT OF THIS SECTION 1.30, INCLUDING, WITHOUT LIMITATION, THE ACTUAL COST OF ASSESSMENT, CONTAINMENT AND/OR REMOVAL OF ANY AND ALL HAZARDOUS SUBSTANCES ON AND/OR FROM ALL OR ANY PORTION OF THE PROPERTY, THE ACTUAL COST OF ANY ACTIONS TAKEN IN RESPONSE TO THE PRESENCE, RELEASE OR THREAT OF RELEASE OF ANY HAZARDOUS SUBSTANCES ON, IN, UNDER OR AFFECTING ANY PORTION OF THE PROPERTY TO PREVENT OR MINIMIZE SUCH RELEASE OR THREAT OF RELEASE SO THAT IT DOES NOT MIGRATE OR OTHERWISE CAUSE OR THREATEN DANGER TO PRESENT OR FUTURE PUBLIC HEALTH, SAFETY, WELFARE OR THE ENVIRONMENT, AND COSTS INCURRED TO COMPLY WITH THE ENVIRONMENTAL LAWS IN CONNECTION WITH ALL OR ANY PORTION OF THE PROPERTY. THE INDEMNITY SET FORTH IN THIS SECTION 1.30(c) SHALL ALSO INCLUDE ANY AND ALL LIENS, DAMAGES, LOSSES, LIABILITIES, OBLIGATIONS, SETTLEMENT PAYMENTS, PENALTIES, ASSESSMENTS, CITATIONS, DIRECTIVES, CLAIMS, LITIGATION, DEMANDS, DEFENSES, JUDGMENTS, SUITS, PROCEEDINGS, COSTS, DISBURSEMENTS OR EXPENSES OF ANY KIND OR OF ANY NATURE WHATSOEVER ARISING OUT OF OR RELATING TO INJURY OR DEATH DUE TO EXPOSURE FROM HAZARDOUS SUBSTANCES THAT MAY BE PRESENT OR RELEASED AT, ON, UNDER OR FROM THE PROPERTY. LENDER'S RIGHTS UNDER THIS SECTION SHALL SURVIVE PAYMENT IN FULL OF THE INDEBTEDNESS SECURED HEREBY AND SHALL BE IN ADDITION TO ALL OTHER RIGHTS OF LENDER UNDER THIS SECURITY DEED, THE COUNTRYSIDE LAKE LANIER NOTE AND THE OTHER LOAN DOCUMENTS, AND SHALL TERMINATE ON THE SECOND (2ND) YEAR AFTER: (A) THE SALE OF THE PROPERTY, (B) LENDER'S FORECLOSURE AGAINST THE

PROPERTY OR ACCEPTANCE OF A DEED OF LIEU OF FORECLOSURE, (C) THE APPOINTMENT OF A RECEIVER, OR (D) SUCH OTHER EVENT OR CIRCUMSTANCE IN WHICH BORROWER IS NO LONGER IN POSSESSION OR CONTROL OF THE PROPERTY.

(d) Upon Lender's request, at any time and from time to time after the occurrence of an Event of Default or at such other time as Lender has reasonable grounds to believe that Hazardous Substances are or have been handled, generated, stored, processed, transported to or from, or Released or discharged from or disposed of on or around the Property (other than in the normal course of Borrower's or the tenants' business or activities, respectively, and in compliance with all Environmental Laws) or that Borrower, any tenant or the Property may be in violation of Environmental Laws, Borrower shall provide, at Borrower's sole cost and expense, an inspection or audit of the Property prepared by a hydrogeologist or environmental engineer or other appropriate consultant approved by Lender indicating the presence or absence of Hazardous Substances on the Property (including asbestos-containing material or lead-based paint). If Borrower fails to provide such inspection or audit within thirty (30) days after such request, Lender may order the same, and Borrower hereby grants to Lender and its employees and agents access to the Property and a license to undertake such inspection or audit. The actual cost of such inspection or audit, together with interest thereon at the Default Interest Rate from the date incurred by Lender until actually paid by Borrower, shall be immediately paid by Borrower on demand and shall be secured by this Security Deed and by all of the other Loan Documents securing all or any part of the indebtedness evidenced by the Notes.

(e) Without limiting the foregoing, Lender and its authorized representatives may, during normal business hours and at its own expense, inspect the Property and Borrower's records related thereto for the purpose of determining compliance with Environmental Laws and the terms and conditions of this Section 1.30.

(f) As used herein, the term "Release" or "Released" shall include, without limitation, any intentional or unintentional placing, spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, disposing, discarding or abandoning of any Hazardous Substance, other than in the normal course of business or activities of its tenants, and in compliance with all Environmental Laws.

1.31 **INDEMNIFICATION; SUBROGATION.**

INABILITY TO COLLECT RENTS AND PROFITS OR IN CONNECTION WITH THE

SECURED INDEBTEDNESS, THIS SECURITY DEED, THE PROPERTY, OR ANY PART THEREOF, OR THE EXERCISE BY LENDER OF ANY RIGHTS OR REMEDIES GRANTED TO IT UNDER THIS SECURITY DEED, AND ANY EVENT OF DEFAULT OR ANY OTHER DEFAULT UNDER THIS SECURITY DEED, (iii) ANY LIENS (WHETHER JUDGMENTS, MECHANICS', MATERIALMEN'S OR OTHERWISE), CHARGES AND ENCUMBRANCES FILED AGAINST THE PROPERTY, AND (iv) ANY CLAIMS AND DEMANDS FOR DAMAGES OR INJURY, INCLUDING CLAIMS FOR PROPERTY DAMAGE, PERSONAL INJURY OR WRONGFUL DEATH, ARISING OUT OF OR IN CONNECTION WITH ANY ACCIDENT OR FIRE OR OTHER CASUALTY ON THE REAL ESTATE OR THE IMPROVEMENTS OR ANY NUISANCE OR TRESPASS MADE OR SUFFERED THEREON, INCLUDING, IN ANY CASE, ATTORNEYS' FEES, COSTS AND EXPENSES AS AFORESAID, WHETHER AT PRETRIAL, TRIAL OR APPELLATE LEVEL FOR ANY CIVIL, CRIMINAL OR ADMINISTRATIVE PROCEEDINGS. SHOULD LENDER INCUR ANY LIABILITY UNDER THIS SECURITY DEED OR ANY OF THE OTHER LOAN DOCUMENTS IN CONNECTION WITH THE FOREGOING MATTERS, THE AMOUNT THEREOF, INCLUDING, WITHOUT LIMITATION, COSTS, EXPENSES AND REASONABLE ATTORNEYS' FEES, TOGETHER WITH INTEREST THEREON AT THE DEFAULT INTEREST RATE FROM THE DATE INCURRED BY LENDER UNTIL ACTUALLY PAID BY BORROWER, SHALL BE IMMEDIATELY DUE AND PAYABLE TO LENDER BY BORROWER ON DEMAND AND SHALL BE SECURED HEREBY AND BY ALL OF THE OTHER LOAN DOCUMENTS SECURING ALL OR ANY PART OF THE INDEBTEDNESS EVIDENCED BY THE COUNTRYSIDE LAKE LANIER NOTE. HOWEVER, NOTHING HEREIN SHALL BE CONSTRUED TO OBLIGATE BORROWER TO INDEMNIFY, DEFEND AND HOLD HARMLESS LENDER FROM AND AGAINST ANY AND ALL LIABILITIES, OBLIGATIONS, LOSSES, DAMAGES, PENALTIES, CLAIMS, ACTIONS, SUITS, COSTS OR EXPENSES ASSERTED AGAINST, IMPOSED ON OR INCURRED BY LENDER BY REASON OF LENDER'S WILLFUL MISCONDUCT OR GROSS NEGLIGENCE. THIS INDEMNITY SHALL SURVIVE PAYMENT IN FULL OF THE INDEBTEDNESS SECURED HEREBY.

(b) Lender may engage the services of attorneys if it is made a party defendant to any litigation (or threatened action or claim) or to enforce the terms of this Security Deed or to protect its rights hereunder, and, in the event of any such engagement, Borrower shall pay Lender's attorneys' fees (together with reasonable appellate counsel fees, if any), consultants' fees, expert's fees, and expenses reasonably incurred by Lender, whether or not an action is actually commenced against Borrower. All references to "attorneys" in this Subsection and elsewhere in this Security Deed shall include without limitation any attorney or law firm engaged by Lender and Lender's in-house counsel, and all references to "fees and expenses" in this Subsection and elsewhere in this Security Deed shall include without limitation any fees of such attorney or law firm and any allocation charges and allocation costs of Lender's in-house counsel.

(c) A waiver of subrogation shall be obtained by Borrower from its insurance carrier and, consequently, Borrower waives any and all right to claim or recover against Lender, its officers, employees, agents and representatives, for loss of or damage to Borrower, the

Property, Borrower's property or the property of others under Borrower's control from any cause insured against or required to be insured against by the provisions of this Security Deed.

1.32 Covenants with Respect to Indebtedness; Operations and Fundamental Changes of Borrower. Borrower represents, warrants and covenants as of the date hereof and until such time as the indebtedness secured hereby is paid in full, that Borrower:

(a) has not owned, does not own and will not own any asset other than (i) the Property, and (ii) incidental personal property necessary for the operation of the Property;

(b) has not engaged, is not engaged and will not engage in any business other than the ownership, management and operation of the Property;

(c) will not enter into any contract or agreement with any shareholder, partner, principal, member or affiliate of Borrower or any affiliate of any of the foregoing, except in the ordinary course of business and upon terms and conditions that are intrinsically fair and are no less favorable to it than those that would be obtained in a comparable arms-length transaction with an unrelated third party;

(d) has not incurred and will not incur any debt, secured or unsecured, direct or contingent (including guaranteeing any obligation), other than (i) the secured indebtedness, (ii) unsecured trade and operational debt incurred in the ordinary course of business not outstanding for more than sixty (60) days with trade creditors and in amounts as are normal and reasonable under the circumstances, real estate taxes and assessments, capital expenditures, and (iii) financing leases and purchase money indebtedness incurred in the ordinary course of business relating to personal property necessary for the operation of the Property;

(e) will not cause or allow any debt whatsoever to be secured (senior, subordinate or pari passu) by the Property, except the indebtedness secured hereby;

(f) has not made and will not make any loans or advances to any third party (including any shareholder, partner, principal, member or affiliate of Borrower, or any guarantor);

(g) is and intends to remain solvent and pay its debts from its assets as the same shall become due to the extent of revenue generated from the operation of the Property; provided, however, the foregoing covenant shall not require the members of Borrower to make any additional capital contributions to Borrower or cause personal liability;

(h) has done or caused to be done and will do all things necessary to preserve its existence and corporate, limited liability company and partnership formalities (as applicable), and, except as otherwise permitted herein, will not, nor will any partner, limited or general, or member or shareholder thereof, amend, modify or otherwise change its partnership certificate, partnership agreement, certificate or articles of incorporation or organization, or by-laws or operating agreement or regulations, in a manner which adversely affects Borrower's, or any such partner's, member's or shareholders' existence as a single-purpose, single-asset "bankruptcy remote" entity;

(i) will conduct and operate its business as presently conducted and operated;

(j) has maintained, and will maintain books and records and bank accounts separate from those of its affiliates, including its general partners, principals and members; provided, however, that Borrower's assets may be included in a consolidated operating or financial statement of its affiliates provided that an appropriate notation shall be made on such consolidated operating or financial statements to indicate the separateness of Borrower from such affiliates and to indicate borrower's assets and credit are not available to satisfy the debts and other obligations of such affiliates;

(k) will be, and at all times will hold itself out to the public as, a legal entity separate and distinct from any other entity (including any affiliate of Borrower, any constituent party of Borrower, any guarantor or any affiliate of any constituent party or guarantor); has corrected, and shall correct any known misunderstanding regarding its status as a separate entity; has conducted, and shall conduct, its business in its own name; has paid, and will pay, its own liabilities out of its own funds and assets; has not, and shall not identify itself or any of its affiliates as a division or a part of the other; and has maintained and utilized, and shall maintain and utilize a separate telephone number and separate stationery, invoices and checks from any other entity;

(l) will file its own tax returns or a consolidated federal income tax return with other persons or entities;

(m) to the extent available only from the cash flow generated from the operation of the Property, will maintain adequate capital for the normal obligations reasonably foreseeable in a business of its size and character and in light of its contemplated business operations;

(n) will not, nor will any shareholder, partner, principal, member or affiliate, seek the dissolution or winding up, in whole or in part, of Borrower;

(o) except as otherwise permitted hereunder, will not enter into any transaction of merger or consolidation, or acquire by purchase or otherwise all or substantially all of the business or assets of, or any stock or beneficial ownership of, any entity;

(p) has not, and will not commingle the funds and other assets of Borrower with those of any shareholder, partner, principal, member or affiliate, or any other person;

(q) has maintained, and will maintain its assets in such a manner that it is not costly or difficult to segregate, ascertain or identify its individual assets from those of any affiliate or any other person;

(r) has, and any general partner or managing member of Borrower has, at all times since their respective formation, observed all Michigan legal and customary formalities regarding their respective formation and will continue to observe all applicable legal formalities;

(s) does not and will not hold itself out to be responsible for the debts or obligations of any other person;

(t) upon the commencement of a voluntary or involuntary bankruptcy proceeding by or against Borrower, Borrower shall not seek a supplemental stay or otherwise pursuant to Section 105 or any other provision of the Bankruptcy Code, or any other debtor relief law (whether statutory, common law, case law, or otherwise) of any jurisdiction whatsoever, now or hereafter in effect, which may be or become applicable, to stay, interdict, condition, reduce or inhibit the ability of Lender to enforce any rights of Lender against any guarantor or indemnitor of the secured obligations or any other party liable with respect thereto by virtue of any indemnity, guaranty or otherwise.

(u) if Borrower is a limited partnership or a limited liability company, the general partner or managing member (the "SPC Entity") shall be a corporation whose sole assets are its interests in Borrower and the owners of any Related Properties, and the SPC Entity will at all times comply, and will cause Borrower to comply, with each of the representations, warranties, and covenants contained in this Section 1.32 as if such representation, warranty or covenant was made directly by the SPC Entity. If Borrower is a corporation, Borrower itself shall comply with each of the representations, warranties and covenants contained in this Section 1.32 as an SPC Entity. Borrower shall at all times cause there to be at least one duly appointed member of the board of directors (an "Independent Director") of the SPC Entity reasonably satisfactory to Lender who shall not have been at the time of such individual's appointment, and may not have been at any time during the preceding five (5) years (i) a shareholder of, or an officer, director (other than an independent director), attorney, counsel, partner or employee of, Borrower or any of its shareholders, subsidiaries or affiliates, (ii) a customer of, or supplier to, Borrower or any of its shareholders, subsidiaries or affiliates, (iii) a person or other entity controlling or under common control with any such shareholder, partner, supplier or customer, or (iv) a member of the immediate family of any such shareholder, officer, director, partner, employee, supplier, customer or any other director of the SPC Entity. As used herein, the term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person or entity, whether through ownership of voting securities, by contract or otherwise;

(v) has not caused and shall not cause, as applicable, the board of directors of Borrower, the members or managers of Borrower, or the board of directors, members or managers of any general partner of Borrower to take any action which, under the terms of the organizational documents for Borrower and its general partner or manager, as applicable, requires the unanimous affirmative vote of one hundred percent (100%) of the members of the board of directors, members or manager, including the vote of an Independent Director, unless at the time of such action there shall be at least one director, member or manager, as applicable, who is an Independent Director;

(w) shall conduct its business so that the assumptions of fact made with respect to Borrower in that certain opinion letter dated the date hereof delivered by Jaffe Raitt Heuer & Weiss, P.C. (the "Non-Consolidation Opinion") with respect to non-consolidation issues, delivered in connection with the execution and delivery of the Loan Documents shall be true and correct, in all material respects at all times;

(x) Borrower further represents and warrants that Borrower's historical operations have been wholly consistent with the terms and provisions of this Section 1.32 except

that Borrower may have incurred prior first lien mortgage financing secured by the Property which financing is being paid and satisfied in full with the proceeds of the indebtedness secured hereby.

Notwithstanding anything contained in this Section 1.32 to the contrary, whether express or implied, Lender and Borrower agree that the following operations and activities of Borrower, SPC Entity and their affiliates shall not be considered a violation of any obligation set forth in this Section 1.32: (i) offering services to residents of the Property through affiliates or other third parties for which fees and charges may be collected by Borrower or the affiliate and paid to such affiliate or third party, which may include, without limitation, cable and internet services, landscaping, snow removal, lease or sale of manufactured homes, and child care; provided that such affiliates do not conduct their business in the name of the Borrower and that any agreements between the Borrower and its affiliates relating to such services are on commercially reasonable terms similar to those of an arm's-length transaction; (ii) transferring all gross revenue, whether cash, cash equivalents or similar assets, to Sun, SCOLP or any other affiliate after collection thereof and depositing such revenue in the operating bank account maintained for the Property, provided, however, that Borrower shall employ accounting practices sufficient to segregate Borrower's funds from the funds of its affiliates and that such transfer of revenue shall not be permitted if it creates a situation in which Borrower is in violation of Section 1.32(g); (iii) having Sun, SCOLP or any affiliate pay all payables, debts and other liabilities arising from or in connection with the operation of the Property from commingled funds, provided, however, that such payment by Sun, SCOLP or any other affiliate shall not create an obligation on behalf of Borrower to repay such affiliate, whether such obligation is evidenced in writing or otherwise; (iv) using ancillary assets in connection with the operation of the Property held in the name of Sun, SCOLP or any affiliates, such as vehicles and office and maintenance equipment, provided, however, Borrower's use of such equipment shall not obligate Borrower to pay such affiliate entity any consideration other than commercially reasonable usage fees on terms similar to those of an arm's-length transaction; (v) treating the Property for all purposes as part of and within the portfolio of manufactured housing communities owned by SCOLP or any affiliate, including for marketing, promotion and providing information and reports to the public or as required by any and all applicable statutes, laws, rules, orders, regulations, ordinances, judgments, decrees and injunctions of governmental authorities affecting the Borrower, its affiliates or the Property, provided, however, the Property shall at all times be owned only by Borrower and shall be so reflected on all financial reports or similar information and such ownership by Borrower shall be clarified and verified by Borrower upon request; and (vi) allocating general overhead and administrative costs incurred by Sun, SCOLP and/or other affiliates to the Borrower in a fair and equitable manner; provided, however, that such allocation shall not be permitted if it creates a situation in which Borrower is in violation of Section 1.32(g).

1.33 Litigation. Borrower will give prompt written notice to Lender and any Servicer of any litigation or governmental proceedings pending or threatened (in writing) against Borrower which might have a Material Adverse Effect.

1.34 ERISA.

(a) Borrower shall not engage in any transaction which would cause any obligation, or action taken or to be taken, hereunder (or the exercise by Lender of any of its

rights under the Notes, this Security Deed or any of the other Loan Documents) to be a non-exempt (under a statutory or administrative class exemption) prohibited transaction under ERISA.

(b) Borrower further covenants and agrees to deliver to Lender such certifications or other evidence from time to time throughout the term of this Security Deed, as requested by Lender in its sole discretion, that (i) Borrower is not an "employee benefit plan" as defined in Section 3(3) of ERISA, which is subject to Title I of ERISA, or a "governmental plan" within the meaning of Section 3(3) of ERISA; (ii) Borrower is not subject to state statutes regulating investments and fiduciary obligations with respect to governmental plans; and (iii) one or more of the following circumstances is true:

(x) Equity interests in Borrower are publicly offered securities within the meaning of 29 C.F.R. Section 2510.3-101(b)(2) as amended from time to time or any successor provision;

(y) Less than twenty-five percent (25%) of each outstanding class of equity interests in Borrower are held by "benefit plan investors" within the meaning of 29 C.F.R. Section 2510.3-101(f)(2) as amended from time to time or any successor provision; or

(z) Borrower qualifies as an "operating company" or a "real estate operating company" within the meaning of 29 C.F.R. Section 2510.3-101(c) as amended from time to time or any successor provision or (e) or an investment company registered under the Investment Company Act of 1940.

(c) **BORROWER SHALL INDEMNIFY LENDER AND DEFEND AND HOLD LENDER HARMLESS FROM AND AGAINST ALL CIVIL PENALTIES, EXCISE TAXES, OR OTHER LOSS, COST DAMAGE AND EXPENSE (INCLUDING, WITHOUT LIMITATION, REASONABLE ATTORNEYS' FEES AND DISBURSEMENTS AND COSTS INCURRED IN THE INVESTIGATION, DEFENSE AND SETTLEMENT OF CLAIMS AND LOSSES INCURRED IN CORRECTING ANY PROHIBITED TRANSACTION OR IN THE SALE OF A PROHIBITED LOAN, AND IN OBTAINING ANY INDIVIDUAL PROHIBITED TRANSACTION EXEMPTION UNDER ERISA THAT MAY BE REQUIRED, IN LENDER'S SOLE DISCRETION) THAT LENDER MAY INCUR, DIRECTLY OR INDIRECTLY, AS A RESULT OF A DEFAULT UNDER THIS SECTION. THIS INDEMNITY SHALL SURVIVE ANY TERMINATION, SATISFACTION OR FORECLOSURE OF THIS SECURITY DEED.**

1.35 Defeasance.

(a) Notwithstanding anything to the contrary contained in the Countryside Lake Lanier Note, this Security Deed or the other Loan Documents, at any time after the date which (i) is two years after the "startup day," within the meaning of Section 860G(a)(9) of the Internal Revenue Code of 1986, as amended from time to time or any successor statute (the "Code"), of a "real estate mortgage investment conduit," (a "REMIC") within the meaning of Section 860D of the Code in connection with a Secondary Market Transaction, that holds the

Countryside Lake Lanier Note and this Security Deed or (ii) is four years after the date hereof, whichever shall first occur, and provided (unless Lender shall otherwise consent, in its sole discretion) no default or Event of Default has occurred and is continuing hereunder or under any of the other Loan Documents, Borrower shall have the right to obtain the release of the Property from the lien of this Security Deed and the other Loan Documents (the "Defeasance") upon the satisfaction of each of the following conditions precedent:

(i) not less than thirty (30) days' prior written notice to Lender specifying a regular Payment Date under the Countryside Lake Lanier Note (the "Defeasance Election Date") on which the Defeasance Deposit (hereinafter defined) is to be made;

(ii) the remittance to Lender on the related Defeasance Election Date of interest accrued and unpaid on the outstanding principal amount of the Countryside Lake Lanier Note to and including the Defeasance Election Date and the scheduled amortization payment due on such Defeasance Election Date, together with all other amounts then due and payable with respect to the Countryside Lake Lanier Loan;

(iii) the irrevocable deposit with Lender of an amount (the "Defeasance Deposit") of non-callable U.S. Government Securities (hereinafter defined) which through the scheduled payment of principal and interest in respect thereof in accordance with their terms will provide, not later than the due date of any payment, cash in an amount sufficient, without reinvestment, in the opinion of a nationally recognized firm of independent certified public accountants expressed in a written certification thereof delivered to Lender, to pay and discharge the Scheduled Defeasance Payments (hereinafter defined);

(iv) the delivery on or prior to the Defeasance Election Date to Lender of:

(A) a security agreement, in form and substance satisfactory to Lender, creating a first priority lien on the Defeasance Deposit (the "Defeasance Security Agreement"), which Defeasance Security Agreement shall be included within the definition of "Security Deed" for purposes of each Loan Document from and after the date of its execution;

(B) a release of the Property from this Security Deed, the Countryside Lake Lanier Assignment and any UCC Financing Statements relating thereto (for execution by Lender) in a form appropriate for cancellation of such documents in the jurisdiction in which the Property is located (and in the case of a partial defeasance, a release of Lender's interest in the Property, if any, under the Other Loans);

(C) a certificate of an authorized representative of Borrower certifying that the requirements set forth in this subparagraph (a) have been satisfied;

(D) an opinion of counsel for Borrower in form and substance satisfactory to Lender to the effect that the Lender has a perfected first priority security interest in the Defeasance Deposit;

(E) an opinion of counsel for Lender, prepared and delivered by the Servicer at Borrower's reasonable expense, stating that the trust formed as a REMIC in connection with any Secondary Market Transaction will not fail to maintain its status as a REMIC as a result of such Defeasance;

(F) evidence in writing from the applicable Rating Agencies to the effect that the collateral substitution will not result in a downgrading, withdrawal or qualification of the respective ratings in effect immediately prior to such Defeasance for any securities issued in connection with the Secondary Market Transaction which are then outstanding; and

(G) such other certificates, documents or instruments as Lender may reasonably request (including, but not limited to any documents required by any Rating Agency in connection with a Secondary Market Transaction); and

(v) the payment by Borrower to Lender of all out-of-pocket costs and expenses (including, without limitation, reasonable attorneys' fees and disbursements) incurred or anticipated to be incurred by Lender in connection with the release of the Property from the lien of this Security Deed and the other Loan Documents pursuant to this Section 1.35 including, without limitation, Lender's determination of whether Borrower has satisfied all of the related conditions and requirements set forth in this Section 1.35; and

(vi) subject to the terms of Section 1.35(d) hereinbelow, a contemporaneous Defeasance election must be undertaken and completed pursuant to the terms of all of the Deeds of Trust and all of the Related Properties.

(b) Upon compliance with the requirements of subparagraph (a) above, the Property shall be released from the lien of this Security Deed, the Countryside Lake Lanier Assignment and any UCC Financing Statements related thereto, the obligations hereunder and under the other Loan Documents with respect to the Property shall no longer be applicable and the Defeasance Deposit shall be the sole source of collateral securing the Countryside Lake Lanier Note. Lender shall apply the Defeasance Deposit and the payments received therefrom to the payment of all scheduled principal and interest payments due on all successive Payment Dates under the Countryside Lake Lanier Note after the Defeasance Election Date, including full payment due on the Countryside Lake Lanier Note on the Lockout Expiration Date (as defined in the Countryside Lake Lanier Note) (the "Scheduled Defeasance Payments"). Borrower, pursuant to the Defeasance Security Agreement or other appropriate document, shall direct that the payments received from the Defeasance Deposit shall be made directly to Lender and applied to satisfy the obligations of Borrower under the Countryside Lake Lanier Note. In connection with such release, Borrower shall establish or designate a single-purpose, bankruptcy-remote successor entity acceptable to Lender (the "Successor Trustor"), with respect to which a non-consolidation opinion satisfactory in form and substance to Lender has been delivered to

Lender (if such a non-consolidation opinion was required of Borrower in connection with the origination of the indebtedness secured hereby) in which case Borrower shall transfer and assign to the Successor Trustor all obligations, rights and duties under the Countryside Lake Lanier Note and the Defeasance Security Agreement, together with the pledged Defeasance Deposit. The Successor Trustor shall assume the obligations of Borrower under the Countryside Lake Lanier Note and the Defeasance Security Agreement, and Borrower shall be relieved of its obligations hereunder and thereunder. Borrower shall pay One Thousand and No/100 Dollars (\$1,000.00) to the Successor Trustor as consideration for assuming such Borrower obligations.

(c) As used herein, the term "U.S. Government Securities" shall mean non-callable, fixed rate securities evidencing an obligation to timely pay principal and/or interest in a full and timely manner that are (a) "government securities" within the meaning of Section 2(a)(16) of the Investment Company Act of 1940, or (b) listed under paragraphs 1, 2 or 3 in Standard & Poor's Eligible Investment Criteria for AAA Rated Structured Transactions as amended.

(d) Notwithstanding the requirements of Section 1.35(a)(vi) hereinabove, Borrower shall be entitled to undertake a Defeasance transaction solely with respect to the Property and the Countryside Lake Lanier Note and not with respect to all of the Related Properties and all of the Loans (a "Partial Defeasance") upon satisfaction of the following additional requirements:

(i) the loan-to-value ratio (the "Partial Defeasance LTV") of the then remaining collective principal balance of the Loans (excluding the Countryside Lake Lanier Loan) to the appraised value of the Related Properties (excluding the Property) shall not exceed eighty percent (80%);

(ii) the collective debt service coverage ratio (the "Partial Defeasance DSCR") for the Loans (excluding the Countryside Lake Lanier Loan) and the Related Properties (excluding the Property) shall not be less than 1.20:1;

(iii) Borrower establishes an additional Reserve with Lender (the "Partial Defeasance Reserve") in an amount equal to ten percent (10%) of the Countryside Lake Lanier Loan Amount, which Partial Defeasance Reserve shall serve as additional collateral for the Loans (excluding the Countryside Lake Lanier Loan), provided, however that the Partial Defeasance Reserve shall not be required to the extent that the following requirements are satisfied as of the date of such Partial Defeasance: (1) the Partial Defeasance LTV is seventy percent (70%) or lower; and (2) the Partial Defeasance DSCR is 1.30:1 or higher;

In lieu of the cash deposit into the Partial Defeasance Reserve, Borrower shall be entitled to provide Lender with a freely assignable (together with the other Loan Documents in relation to a Secondary Market Transaction) unconditional and irrevocable Letter of Credit (as the same may be subsequently replaced as described below, "Letter of Credit") in the amount of the required deposit into the Partial Defeasance Reserve and issued by a financial institution with a Standard & Poors rating of "AA" or better and otherwise acceptable to Lender as to form and content. The Letter of Credit shall be held

by Lender as additional security for the Loans (excluding the Countryside Lake Lanier Loan). The Letter of Credit (and any replacement or substitution therefor) shall be replaced by a new substitute letter of credit satisfying all of the requirements described above on or before thirty (30) days prior to its expiry and, failing such timely replacement, may be drawn upon by Lender with such funds being deposited into the Partial Defeasance Reserve and handled and/or disbursed in accordance with the terms therefor. To the extent Borrower should timely satisfy each of the Disbursement Conditions and be otherwise entitled to a full disbursement of the Partial Defeasance Reserve pursuant to the provisions hereinabove, Lender shall release the Letter of Credit to Borrower. To the extent Lender should assign this Security Deed or the other Loan Documents, Borrower shall cause the Letter of Credit to be effectively assigned to the assignee of such Loan Documents or shall cause the letter of Credit to be reissued to such assignee all within ten (10) business days' request of Lender for Borrower to do so. All expenses whatsoever for the assignment or reissuance of such Letter of Credit shall be paid by Borrower. Any such assignment or reissuance must be undertaken in the form and pursuant to an arrangement acceptable to Lender, in Lender's sole discretion and otherwise consistent with the terms of this subparagraph. To the extent Borrower should fail to timely cause the Letter of Credit to be renewed or assigned as required herein, Lender (or its successor) may, but shall not be obligated to, draw upon the Letter of Credit and deposit the cash proceeds therefrom into the Partial Defeasance Reserve. If the provider of the Letter of Credit: (1) becomes insolvent, (2) commences or is the target of a proceeding in bankruptcy, (3) ceases to exist, (4) is subject to a downgrade of its rating below that specified above or (5) if Lender determines that the provider's insolvency is imminent, Borrower will deliver to Lender a replacement Letter of Credit satisfying all of the requirements described above within five (5) business days of the date the insolvency is known, the proceeding in bankruptcy is filed, the cessation occurs, the rating downgrade occurs or Lender gives Borrower notice that Lender has determined the provider's insolvency is imminent. The Letter of Credit is solely for the protection of Lender and entails no responsibility on Lender's part beyond application of the funds drawn thereunder in accordance with the terms hereof. If there is a default under the Loan Documents which is not cured within any applicable grace or cure period, Lender (or its successor) may, but shall not be obligated to, draw upon the Letter of Credit and deposit such funds into the Partial Defeasance Reserve.

(iv) to the extent property management with respect to the Property is being undertaken prior to any Partial Defeasance on a shared basis with any of the other Related Properties (either shared as to facility, personnel or in any other manner whatsoever) Lender shall be entitled to require, as a condition to its approval of any such Partial Defeasance, Borrower's establishment of an independent property management function with respect to the Property and any relevant Related Property; and

(v) all other conditions of this Section 1.35 not expressly contradicted by this subsection (d) shall be fully satisfied.

1.36 Anti-Terrorism and Money Laundering Legislation. Borrower hereby represents and warrants to, and covenants with, Lender, as of the date hereof and until such time

as the

secured indebtedness shall have been paid in full, including after giving effect to any Sale permitted pursuant to Section 1.13(b) hereof, as follows:

(a) None of Borrower, any guarantor or indemnitor of any of the Loans or other obligations under the Loan Documents, or any principal of any of them, or any of their respective direct or indirect constituents or affiliates, any of their respective officers or directors (including officers or directors of any such constituents or affiliates), and any of their respective brokers, investors or other agents acting or benefiting in any capacity in connection with the Loans, is a Prohibited Person (as defined below).

(b) None of Borrower, any guarantor or indemnitor of any of the Loans or other obligations under the Loan Documents, or any principal of any of them, or any of their respective direct or indirect constituents or affiliates, any of their respective officers or directors (including officers or directors of any such constituents or affiliates) (i) to Borrower's knowledge after due inquiry, has conducted or will conduct any business or has engaged or will engage in any transaction or dealing with any Prohibited Person, including making or receiving any contribution of funds, goods or services to or for the benefit of any Prohibited Person, (ii) to Borrower's knowledge after due inquiry, has dealt or will deal in, or otherwise has engaged or will engage in any transaction relating to, any property or interests in property blocked pursuant to the Executive Order (as defined below); or (iii) has engaged or will engage in or has conspired or will conspire to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the requirements or prohibitions set forth in the Executive Order or the PATRIOT Act (as defined below).

(c) To Borrower's knowledge after due inquiry, none of Borrower's or any of such aforesaid guarantor's, indemnitor's or any principal's respective brokers, investors or other agents acting in any capacity in connection with the Property or Loans (i) has conducted or will conduct any business or has engaged or will engage in any transaction or dealing with any Prohibited Person, including making or receiving any contribution of funds, goods or services to or for the benefit of any Prohibited Person, (ii) has dealt or will deal in, or otherwise has engaged or will engage in any transaction relating to, any property or interests in property blocked pursuant to the Executive Order; or (iii) has engaged or will engage in or has conspired or will conspire to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the requirements or prohibitions set forth in the Executive Order or the PATRIOT Act.

(d) Borrower has implemented procedures to ensure that no person who now or hereafter owns a direct or indirect interest in Borrower or any guarantor of the Loans is a Prohibited Person.

(e) To the best of Borrower's knowledge, as of the date hereof, no tenant at the Property currently is a Prohibited Person and Borrower will direct the manager of the Property to promptly implement procedures, approved by Borrower, to ensure that no future commercial tenant at the Property is a Prohibited Person.

(f) Borrower covenants and agrees to deliver to Lender any certification or other evidence requested from time to time by Lender in its sole discretion, confirming Borrower's compliance with this Section 1.36.

(g) Borrower represents and warrants that Borrower and any of such aforesaid guarantor, indemnitor and principal, and all of their respective affiliates (including any officers and directors of any of the foregoing) are in full compliance with all applicable orders, rules and regulations issued by, and recommendations of, the U.S. Department of the Treasury and OFAC (as defined below) pursuant to IEEPA (as defined below), the PATRIOT Act, other legal requirements relating to money laundering or terrorism and any executive orders related thereto.

(h) Borrower is advised that, by law, Lender may be obligated to "freeze its account" or any account of its investors, either by prohibiting additional funds, declining any withdrawal, redemption, or transfer request(s) and/or segregating assets in compliance with governmental regulations, and Lender may also be required to report such action to governmental or regulatory authorities, including OFAC.

(i) Borrower has established and maintains an anti-money laundering and/or terrorism program and/or procedures in accordance with all applicable laws, rules and regulations of its own jurisdiction including, without limitation, where applicable, the PATRIOT Act. Borrower further covenants that it will adopt appropriate policies, procedures and internal controls to be fully compliant with any additional laws, rules or regulations relating to money laundering and/or terrorism, including the PATRIOT Act, to which it may become subject.

(j) Borrower has taken appropriate due diligence efforts to know each investor, including whether the investor is a Prohibited Person. Borrower has taken appropriate due diligence efforts to know if any investor is a "Senior Foreign Political Figure" (as defined in the PATRIOT Act) and, to the extent that any investor is a Senior Foreign Political Figure, has disclosed such information to Lender.

(k) Borrower will notify or report unusual or suspicious activity in accordance with the laws or requirements of its own jurisdiction including, where applicable, the PATRIOT Act.

(l) Borrower applies, and will continue to apply, its anti-money laundering program and/or procedures to all investors, and will take appropriate steps in accordance with the laws of its own jurisdiction to ensure that all required relevant documentation is retained, including identification relating to those investors.

(m) Borrower does not believe, and after appropriate due diligence, has no reason to believe, that any of its investors is a "Prohibited Foreign Shell Bank" (as defined in the PATRIOT Act), or is named on any available lists of known or suspected terrorists, terrorist organizations or of other sanctioned persons issued by the United States government and/or the government(s) of any jurisdiction(s) in which Borrower is doing business.

(n) Borrower has taken appropriate due diligence efforts to know the person or entity from whom Borrower acquired the Property, including whether such person or entity is a Prohibited Person or an immediate family member or close associate of a Prohibited Person.

(o) Borrower does not believe, and after appropriate due diligence, has no reason to believe, that the person or entity from whom Borrower acquired the Property is a Prohibited Foreign Shell Bank, or is named on any available lists of known or suspected terrorists, terrorist organizations or of other sanctioned persons issued by the United States government and/or the government(s) of any jurisdiction(s) in which Borrower is doing business.

(p) Each of Borrower and each of the aforesaid guarantor, indemnitor and principal has adopted reasonable procedures in accordance with applicable law as of the date hereof designed to elicit information that substantiates the statements contained in this Section 1.36.

(q) Borrower will advise Lender immediately of any material change that would affect the representations, covenants and warranties provided in this Section 1.36.

(r) As used herein, the following terms shall have the meaning so specified below:

"IEEPA" shall mean the International Emergency Economic Power Act, 50 U.S.C. §1701 et seq.

"OFAC" shall mean the U.S. Department of Treasury's Office of Foreign Asset Control.

"PATRIOT Act" shall mean the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (Public Law 107-56).

"Prohibited Person" shall mean any person, organization or entity:

(1) listed in the Annex to, or is otherwise subject to the provisions of, the Executive Order No. 13224 on Terrorist Financing, effective September 24, 2001, and relating to Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism (the "Executive Order");

(2) that is owned or controlled by, or acting for or on behalf of, any person or entity that is listed in the Annex to, or is otherwise subject to the provisions of the Executive Order;

(3) with whom Lender is prohibited from dealing or otherwise engaging in any transaction by any terrorism or money laundering legal requirements, including the PATRIOT Act and the Executive Order;

(4) that commits, threatens or conspires to commit or supports "terrorism" as defined in the Executive Order;

(5) that is named as a "specifically designated national" or "blocked person" on the most current list published by the U.S. Treasury Department Office of Foreign Assets Control at its official website,

<http://www.treas.gov/offices/eotffc/ofac/sdn>, or at any replacement website or other replacement official publication of such list or is named on any other U.S. or foreign government or regulatory list maintained for the purpose of preventing terrorism, money laundering or similar activities;

(6) that is covered by IEEPA, OFAC or any other law, regulation or executive order relating to the imposition of economic sanctions against any country, region or individual pursuant to United States law or United Nations resolution; or

(7) that is an affiliate (including any principal, officer, immediate family member or close associate) of a person or entity described in one or more of clauses (1)-(6) of this definition of Prohibited Person.

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EVENTS OF DEFAULT

2.1 **Events of Default.** The indebtedness secured hereby shall become immediately due and payable at the option of Lender upon the happening of any one or more of the following events of default (each, an "**Event of Default**"):

(a) Borrower fails to (i) make any payment under the Notes when due, or (ii) timely make any regularly scheduled monthly deposit into a Reserve when due.

(b) Borrower fails to punctually perform any other covenant, agreement, obligation, term or condition hereof which requires payment of any money to Lender (except those specified in **Section 2.1(a)** above) and such failure continues for ten (10) days after Lender's written notice to Borrower of such amount due (it being expressly agreed and understood that no notice or grace period whatsoever shall be applicable with respect to those items described in **Section 2.1(a)** hereinabove).

(c) Borrower fails to provide insurance as required by **Section 1.4** hereof or fails to perform any covenant, agreement obligation, term or condition set forth in **Section 1.16** or **Section 1.30** hereof.

(d) Borrower fails to perform any other covenant, agreement, obligation, term or condition set forth herein other than those otherwise described in this **Section 2.1** and, to the extent such failure or default is susceptible of being cured, the continuance of such failure or default for thirty (30) days after written notice thereof from Lender to Borrower; **provided, however,** that if such default is susceptible of cure but such cure cannot be accomplished with reasonable diligence within said period of time, and if Borrower commences to cure such default promptly after receipt of notice thereof from Lender, and thereafter prosecutes the curing of such default with reasonable diligence, such period of time shall be extended for such period of time as may be necessary to cure such default with reasonable diligence, but not to exceed an additional ninety (90) days.

(e) Any representation or warranty made herein, in or in connection with any application or commitment relating to any of the Loans or in any of the other Loan Documents to Lender by Borrower, by any principal, managing member or general partner in Borrower or by

any indemnitor or guarantor under any indemnity or guaranty executed in connection with any of the Loans is determined by Lender to have been false or misleading in any material respect at the time made.

(f) There shall be a sale, conveyance, disposition, alienation, hypothecation, leasing, assignment, pledge, mortgage, granting of a security interest in or other transfer or further encumbering of the Property, Borrower or its owners, or any portion thereof or any interest therein, in violation of Section 1.13 hereof.

(g) A default occurs under any of the other Loan Documents which has not been cured within any applicable grace or cure period therein provided.

(h) Borrower, the managing member of Borrower or SCOLP becomes insolvent, or shall make a transfer in fraud of creditors, or shall make an assignment for the benefit of creditors, shall file a petition in bankruptcy, shall voluntarily be adjudicated insolvent or bankrupt or shall admit in writing the inability to pay debts as they mature, shall petition or apply to any tribunal for or shall consent to or shall not contest the appointment of a receiver, trustee, custodian or similar officer for Borrower, for any such principal, general partner or managing member (as applicable) of Borrower or for any such indemnitor or guarantor or for a substantial part of the assets of Borrower, of any such principal, managing member or general partner of Borrower or of any such indemnitor or guarantor, or shall commence any case, proceeding or other action under any bankruptcy, reorganization, arrangement, readjustment or debt, dissolution or liquidation law or statute of any jurisdiction, whether now or hereafter in effect.

(i) An involuntary petition ("Petition") is filed or any case, proceeding or other action is commenced against Borrower, against the managing member of Borrower or against SCOLP seeking to have an order for relief entered against it as debtor or seeking reorganization, arrangement, adjustment, liquidation, dissolution or composition of it or its debts or other relief under any law relating to bankruptcy, insolvency, arrangement, reorganization, receivership or other debtor relief under any law or statute of any jurisdiction, whether now or hereafter in effect, or a court of competent jurisdiction enters an order for relief against Borrower, against any principal, managing member or general partner of Borrower or against any indemnitor or guarantor under any indemnity or guaranty executed in connection with any of the Loans as debtor, or an order, judgment or decree is entered appointing, with or without the consent of Borrower, of any such principal, managing member or general partner of Borrower or of any such indemnitor or guarantor, a receiver, trustee, custodian or similar officer for Borrower, for any such principal, managing member or general partner of Borrower or for any such indemnitor or guarantor, or for any substantial part of any of the properties of Borrower, of any such principal, managing member or general partner of Borrower or of any such indemnitor or guarantor, and if any such event shall occur, such Petition, case, proceeding, action, order, judgment or decree shall not be dismissed within sixty (60) days after being commenced.

(j) Borrower solicits or aids the solicitation of the filing of any Petition against Borrower including, without limitation: (i) providing information regarding the identity of creditors or the nature of creditors' claims to any third party unless compelled to do so by order of a court of competent jurisdiction or by regulation promulgated by a governmental

agency, or (ii) paying the legal fees or expenses of any creditor of or interest holder in Borrower with respect to any matter whatsoever.

(k) The Property or any part thereof shall be taken on execution or other process of law in any action against Borrower.

(l) Borrower abandons all or a substantial portion of the Property.

(m) The holder of any lien or security interest on the Property (without implying the consent of Lender to the existence or creation of any such lien or security interest), whether superior or subordinate to this Security Deed or any of the other Loan Documents, declares a default and such default is not cured within any applicable grace or cure period set forth in the applicable document or such holder institutes foreclosure or other proceedings for the enforcement of its remedies thereunder.

(n) The Property, or any part thereof, is subjected to actual waste or to removal, demolition or material alteration so that the value of the Property is materially diminished thereby and Lender determines (in its subjective determination) that it is not adequately protected from any loss, damage or risk associated therewith.

(o) Any dissolution, termination, partial or complete liquidation, merger or consolidation of Borrower, its managing member, except as permitted hereunder.

(p) If any of the facts forming the basis of the assumptions set forth in the Non-Consolidation Opinion shall no longer be true and correct in all material respects, except as permitted hereunder.

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REMEDIES

3.1 Remedies Available. If there shall occur an Event of Default, then this Security Deed is subject to foreclosure as provided by law and Lender may, at its option and by or through a trustee, nominee, assignee or otherwise, to the fullest extent permitted by law, exercise any or all of the following rights, remedies and recourses, either successively or concurrently.

(a) Acceleration. Accelerate the maturity date of the Notes and declare any or all of the indebtedness secured hereby to be immediately due and payable without any presentment, demand, protest, notice or action of any kind whatever (each of which is hereby expressly waived by Borrower), whereupon the same shall become immediately due and payable. Upon any such acceleration, payment of such accelerated amount shall constitute a prepayment of the principal balance of the Notes and any applicable prepayment fee provided for in the Notes shall then be immediately due and payable.

(b) Entry on the Property. Without in any way curing or waiving any default or Event of Default of Borrower, either in person, by agent or by court-appointed receiver, with or without bringing any action or proceeding, or by a receiver appointed by a court and without regard to the adequacy of its security, enter upon and take possession of the Property, or any part thereof, in its own name, without force or with such force as is permitted by law and without

notice or process or with such notice or process as is required by law unless such notice and process are waivable, in which case Borrower hereby waives such notice and process, and do any and all acts and perform any and all work which may be desirable or necessary in Lender's judgment to complete any unfinished construction on the Real Estate, to preserve and/or enhance the value, marketability or rentability of the Property, to increase the income therefrom, to manage and operate the Property or to protect the security hereof and all sums expended by Lender therefor, together with interest thereon at the Default Interest Rate, shall be immediately due and payable to Lender by Borrower on demand and shall be secured hereby and by all of the other Loan Documents securing all or any part of the indebtedness evidenced by the Notes.

(c) Collect Rents and Profits. With or without taking possession of the Property, sue for or otherwise collect the Rents and Profits, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorneys' fees, upon any indebtedness secured hereby, all in such order as Lender in its discretion may determine.

(d) Appointment of Receiver. Upon, or at any time prior or after, initiating the exercise of any power of sale, instituting any judicial foreclosure or instituting any other foreclosure of the liens and security interests provided for herein or any other legal proceedings hereunder, make application, ex parte, to a court of competent jurisdiction for appointment of a receiver for all or any part of the Property, as a matter of strict right and without notice to Borrower and without regard to the adequacy of the Property for the repayment of the indebtedness secured hereby or the solvency of Borrower or any person or persons liable for the payment of the indebtedness secured hereby, and Borrower does hereby irrevocably consent to such appointment, waives any and all notices of and defenses to such appointment and agrees not to oppose any application therefor by Lender, but nothing herein is to be construed to deprive Lender of any other right, remedy or privilege Lender may now have under the law to have a receiver appointed, provided, however, that the appointment of such receiver, trustee or other appointee by virtue of any court order, statute or regulation shall not impair or in any manner prejudice the rights of Lender to receive payment of the Rents and Profits pursuant to other terms and provisions of this Security Deed or the Countryside Lake Lanier Assignment. Any such receiver shall have all of the usual powers and duties of receivers in similar cases, including, without limitation, the full power to hold, develop, rent, lease, manage, maintain, operate and otherwise use or permit the use of the Property upon such terms and conditions as said receiver may deem to be prudent and reasonable under the circumstances as more fully set forth in Section 3.3 below. Such receivership shall, at the option of Lender, continue until full payment of all of the indebtedness secured hereby or until title to the Property shall have passed by foreclosure sale under this Security Deed or deed in lieu of foreclosure.

(e) Foreclosure. Immediately commence an action to foreclose this Security Deed or to specifically enforce its provisions or any of the indebtedness secured hereby, pursuant to the applicable statutes in such case and sell the Property or cause the Property to be sold in accordance with the requirements and procedures provided by said statutes in a single parcel or in several parcels at the option of Lender.

In the event foreclosure proceedings are instituted by Lender, all expenses incident to such proceedings, including, but not limited to, attorneys' fees and costs, shall be paid

by Borrower and secured by this Security Deed and by all of the other Loan Documents securing all or any part of the indebtedness evidenced by the Notes. The secured indebtedness and all other obligations secured by this Security Deed, including, without limitation, interest at the Default Interest Rate, any prepayment charge, fee or premium required to be paid under the Notes in order to prepay principal (to the extent permitted by applicable law), reasonable attorneys' fees and any other amounts due and unpaid to Lender under the Loan Documents, may be bid by Lender in the event of a foreclosure sale hereunder.

(f) Sale by Lender. The Lender, at its option, may sell, and is hereby authorized and empowered to sell, the Property or any part of the Property at one or more public sale or sales at the door of the Courthouse in the county where the Real Estate is located, to the highest bidder for cash, in order to pay the secured indebtedness and all expenses of sale and of all proceedings in connection therewith, including reasonable attorney's fees, in bar of the right and equity of redemption, homestead, and all other rights and exemptions of every kind, if any (including, without limitation, all rights under any appraisal, valuation, stay or extension laws and all rights to have the Property marshaled upon foreclosure hereof), which may now or hereafter exist, all of which are hereby expressly waived by Borrower, after first advertising the time, place and terms of sale once a week for four (4) weeks immediately preceding such sale (but without regard to the number of days) in a newspaper in which Sheriff's sales are advertised in the county where the Real Estate is located, all other notice being hereby waived by Borrower. At such public sale, Lender may execute and deliver to the purchaser a conveyance of the Property or any part of the Property in fee simple, and with full warranties of title, and to this end Borrower hereby constitutes and appoints Lender the agent and attorney-in-fact of Borrower to make such sale and conveyance, and thereby to divest Borrower of all right, title and equity that Borrower may have in and to the Property and to vest the same in the purchaser or purchasers at such sale or sales, and all the acts and doings of said agent and attorney-in-fact are hereby ratified and confirmed, and any recitals in said conveyance or conveyances as to facts essential to a valid sale shall be binding upon Borrower. The aforesaid power of sale and agency hereby granted are coupled with an interest and are irrevocable by death or otherwise, are granted as cumulative of the other remedies provided hereby or by law for the collection of this indebtedness secured hereby, and shall not be exhausted by one exercise thereof but may be exercised until full payment of all of the secured indebtedness. In the event of any sale under this Security Deed by virtue of the exercise of the powers herein granted, or pursuant to any order in any judicial proceeding or otherwise, the Property may be sold as an entirety or in separate parcels and in such manner or order as Lender in its discretion may elect, and, if Lender so elects, Lender may sell the personal property covered by this Security Deed concurrently with the real property covered hereby or at one or more separate sales in any manner permitted by any applicable Uniform Commercial Code, and one or more exercises of the powers herein granted shall not extinguish nor exhaust such powers, until the entire Property is sold or the secured indebtedness is paid in full. If the secured indebtedness is now or hereafter further secured by any chattel mortgages, pledges, contracts of guaranty, assignments of lease or other security instruments, Lender may at its option exhaust the remedies granted under any of said security either concurrently or independently, and in such order as Lender may determine in its discretion. Upon any foreclosure sale, Lender may bid for and purchase the Property and shall be entitled to apply all or any part of the secured indebtedness as a credit to the purchase price. In the event of any such foreclosure sale by Lender, Borrower shall be deemed a tenant holding over and shall forthwith deliver possession to the purchaser or purchasers at such sale or be

summarily dispossessed according to provisions of law applicable to tenants holding over. In case Lender shall have proceeded to enforce any right, power, or remedy under this Security Deed by foreclosure, entry or otherwise or in the event advertising of the intended exercise of the sale under power provided hereunder is commenced, and such proceeding or advertisement shall have been withdrawn, discontinued or abandoned for any reason, then in every such case (i) Borrower and Lender shall be restored to their former positions and rights, (ii) all rights, powers and remedies of Lender shall continue as if no such proceeding had been taken, (iii) each and every Event of Default declared or occurring prior or subsequent to such withdrawal, discontinuance or abandonment shall be deemed to be a continuing Event of Default, and (iv) neither this Security Deed, nor the Countryside Lake Lanier Note, nor the secured indebtedness, nor any other Loan Document shall be or shall be deemed to have been reinstated or otherwise affected by such withdrawal, discontinuance or abandonment; and Borrower hereby expressly waives the benefit of any statute or rule of law now provided, or which may hereafter be provided, which would produce a result contrary to or in conflict with this sentence.

(g) Judicial Remedies. Proceed by suit or suits, at law or in equity, instituted by Lender, to enforce the payment of the indebtedness secured hereby or the other obligations of Borrower hereunder or pursuant to the Loan Documents, to foreclose the liens and security interests of this Security Deed as against all or any part of the Property, and to have all or any part of the Property sold under the judgment or decree of a court of competent jurisdiction. In the event of a judicial sale pursuant to a foreclosure decree, it is understood and agreed that Lender or its assigns may become the purchaser of the Property. This remedy shall be cumulative of any other non-judicial remedies available to the Lender with respect to the Loan Documents. Proceeding with the request or receiving a judgment for legal relief shall not be or be deemed to be an election of remedies or bar any available non-judicial remedy of the Lender.

(h) Other. Exercise any other right or remedy available hereunder, under any of the other Loan Documents or at law or in equity.

3.2 Application of Proceeds. To the fullest extent permitted by law, the proceeds of any sale under this Security Deed shall be applied to the extent funds are so available to the following items in such order as Lender in its discretion may determine:

(a) To payment of the costs, expenses and fees of taking possession of the Property, and of holding, operating, maintaining, using, leasing, repairing, improving, marketing and selling the same and of otherwise enforcing Lender's right and remedies hereunder and under the other Loan Documents, including, but not limited to, receivers' fees, court costs, attorneys', accountants', appraisers', auctioneers', managers' and other professional fees, title charges and transfer taxes.

(b) To payment of all sums expended by Lender under the terms of any of the Loan Documents and not yet repaid, together with interest on such sums at the Default Interest Rate.

(c) To payment of the secured indebtedness and all other obligations secured by this Security Deed, including, without limitation, interest at the Default Interest Rate and, to the extent permitted by applicable law, any prepayment fee, charge or premium required to be

paid under the Notes in order to prepay principal, in any order that Lender chooses in its sole discretion.

(d) The remainder, if any, of such funds shall be disbursed to Borrower or to the person or persons legally entitled thereto.

3.3 Right and Authority of Receiver or Lender in the Event of Default; Power of Attorney. Upon the occurrence of an Event of Default, and entry upon the Property pursuant to Section 3.1(b) hereof or appointment of a receiver pursuant to Section 3.1(d) hereof, and under such terms and conditions as may be prudent and reasonable under the circumstances in Lender's or the receiver's sole discretion, all at Borrower's expense, Lender or said receiver, or such other persons or entities as they shall hire, direct or engage, as the case may be, may do or permit one or more of the following, successively or concurrently: (a) enter upon and take possession and control of any and all of the Property; (b) take and maintain possession of all documents, books, records, papers and accounts relating to the Property; (c) exclude Borrower and its agents, servants and employees wholly from the Property; (d) manage and operate the Property; (e) preserve and maintain the Property; (f) make repairs and alterations to the Property; (g) complete any construction or repair of the Improvements, with such changes, additions or modifications of the plans and specifications or intended disposition and use of the Improvements as Lender may in its sole discretion deem appropriate or desirable to place the Property in such condition as will, in Lender's sole discretion, make it or any part thereof readily marketable or rentable; (h) conduct a marketing or leasing program with respect to the Property, or employ a marketing or leasing agent or agents to do so, directed to the leasing or sale of the Property under such terms and conditions as Lender may in its sole discretion deem appropriate or desirable; (i) employ such contractors, subcontractors, materialmen, architects, engineers, consultants, managers, brokers, marketing agents, or other employees, agents, independent contractors or professionals, as Lender may in its sole discretion deem appropriate or desirable to implement and effectuate the rights and powers herein granted; (j) execute and deliver, in the name of Lender as attorney-in-fact and agent of Borrower or in its own name as Lender, such documents and instruments as are necessary or appropriate to consummate authorized transactions; (k) enter into such Leases, whether of real or personal property, or tenancy agreements, under such terms and conditions as Lender may in its sole discretion deem appropriate or desirable; (l) collect and receive the Rents and Profits from the Property; (m) eject tenants or repossess personal property, as provided by law, for breaches of the conditions of their Leases or other agreements; (n) sue for unpaid Rents and Profits, payments, income or proceeds in the name of Borrower or Lender; (o) maintain actions in forcible entry and detainer, ejectment for possession and actions in distress for rent; (p) compromise or give acquittance for Rents and Profits, payments, income or proceeds that may become due; (q) delegate or assign any and all rights and powers given to Lender by this Security Deed; and (r) do any acts which Lender in its sole discretion deems appropriate or desirable to protect the security hereof and use such measures, legal or equitable, as Lender may in its sole discretion deem appropriate or desirable to implement and effectuate the provisions of this Security Deed. This Security Deed shall constitute a direction to and full authority to any lessee, or other third party who has heretofore dealt or contracted or may hereafter deal or contract with Borrower or Lender, at the request of Lender, to pay all amounts owing under any Lease, contract, concession, license or other agreement to Lender without proof of the Event of Default or other default relied upon. Any such lessee or third party is hereby irrevocably authorized to rely upon and comply with (and

shall be fully protected by Borrower in so doing) any request, notice or demand by Lender for the payment to Lender of any Rents and Profits or other sums which may be or thereafter become due under its Lease, contract, concession, license or other agreement, or for the performance of any undertakings under any such Lease, contract, concession, license or other agreement, and shall have no right or duty to inquire whether any Event of Default or other default under this Security Deed or under any of the other Loan Documents has actually occurred or is then existing. Borrower hereby constitutes and appoints Lender, its assignees, successors, transferees and nominees, as Borrower's true and lawful attorney-in-fact and agent, with full power of substitution in the Property, in Borrower's name, place and stead, to do or permit any one or more of the foregoing described rights, remedies, powers and authorities, successively or concurrently, and said power of attorney shall be deemed a power coupled with an interest and irrevocable so long as any indebtedness secured hereby is outstanding. Any money advanced by Lender in connection with any action taken under this Section 3.3, together with interest thereon at the Default Interest Rate from the date of making such advancement by Lender until actually paid by Borrower, shall be a demand obligation owing by Borrower to Lender and shall be secured by this Security Deed and by every other instrument securing the secured indebtedness.

3.4 Occupancy After Foreclosure. In the event there is a foreclosure sale hereunder and at the time of such sale, Borrower or Borrower's representatives, successors or assigns, or any other persons claiming any interest in the Property by, through or under Borrower (except tenants of space in the Improvements subject to Leases entered into prior to the date hereof), are occupying or using the Property, or any part thereof, then, to the extent not prohibited by applicable law, each and all shall, at the option of Lender or the purchaser at such sale, as the case may be, immediately become the tenant of the purchaser at such sale, which tenancy shall be a tenancy from day-to-day, terminable at the will of either landlord or tenant, at a reasonable rental per day based upon the value of the Property occupied or used, such rental to be due daily to the purchaser. Further, to the extent permitted by applicable law, in the event the tenant fails to surrender possession of the Property upon the termination of such tenancy, the purchaser shall be entitled to institute and maintain an action for unlawful detainer of the Property in the appropriate court of the county in which the Real Estate is located.

3.5 Notice to Account Debtors. Lender may, at any time after an Event of Default, notify the account debtors and obligors of any accounts, chattel paper, negotiable instruments or other evidences of indebtedness to Borrower included in the Property to pay Lender directly. Borrower shall at any time or from time to time upon the request of Lender provide to Lender a current list of all such account debtors and obligors and their addresses.

3.6 Cumulative Remedies. All remedies contained in this Security Deed are cumulative and Lender shall also have all other remedies provided at law and in equity or in any other Loan Documents. Such remedies may be pursued separately, successively or concurrently at the sole subjective direction of Lender and may be exercised in any order and as often as occasion therefor shall arise. No act of Lender shall be construed as an election to proceed under any particular provisions of this Security Deed to the exclusion of any other provision of this Security Deed or as an election of remedies to the exclusion of any other remedy which may then or thereafter be available to Lender. No delay or failure by Lender to exercise any right or remedy under this Security Deed shall be construed to be a waiver of that right or remedy or of

any Event of Default or other default hereunder. Lender may exercise any one or more of its rights and remedies at its option without regard to the adequacy of its security.

3.7 **Payment of Expenses.** Borrower shall pay on demand all of Lender's expenses reasonably incurred in any efforts to enforce any terms of this Security Deed, whether or not any lawsuit is filed and whether or not foreclosure is commenced but not completed, including, but not limited to, reasonable legal fees and disbursements, foreclosure costs and title charges, together with interest thereon from and after the date incurred by Lender until actually paid by Borrower at the Default Interest Rate, and the same shall be secured by this Security Deed and by all of the other Loan Documents securing all or any part of the indebtedness evidenced by the Notes.

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MISCELLANEOUS TERMS AND CONDITIONS

4.1 **Time of Essence.** Time is of the essence with respect to all provisions of this Security Deed.

4.2 **Release of Security Deed.** If and when Borrower has paid all of the secured indebtedness as the same becomes due and payable, or there is a Defeasance regarding the lien of this Security Deed in accordance with, and in satisfaction of, the provisions of Section 1.35 of this Security Deed, then, and in such event only, this Security Deed shall be canceled of record by Lender, which cancellation shall be effected by Lender in due form at Borrower's cost. Borrower shall be responsible for the recordation of such release and payment of any recordation costs associated therewith.

4.3 **Certain Rights of Lender.** Without affecting Borrower's liability for the payment of any of the indebtedness secured hereby, Lender may from time to time and without notice to Borrower: (a) release any person liable for the payment of the indebtedness secured hereby; (b) extend or modify the terms of payment of the indebtedness secured hereby; (c) accept additional real or personal property of any kind as security or alter, substitute or release any property securing the indebtedness secured hereby; (d) recover any part of the Property; (e) consent in writing to the making of any subdivision map or plat thereof; (f) join in granting any easement therein; or (g) join in any extension agreement of this Security Deed or any agreement subordinating the lien hereof.

4.4 **Notices.** Any notice, report, demand, request or other instrument authorized or required to be given or furnished hereunder, under any of the other Loan Documents or as required by law shall be in writing and shall be given as follows: (a) by hand delivery; (b) by deposit in the United States mail as first class certified mail, return receipt requested, postage paid; (c) by expedited, prepaid, nationwide courier service, either commercial or United States Postal Service, with proof of actual or attempted delivery; or (d) by telecopy transmission (other than for notices of default) with a confirmation copy to be delivered by duplicate notice in accordance with any of clauses (a)-(c) above, in each case, addressed to the intended addressee at its address set forth on the first page of this Security Deed or at such other address as may be designated by such party as herein provided. Any party may change the address to which any such notice is to be delivered to any other address within the United States of America, by

furnishing ten (10) days written notice of such change to the other parties in accordance with the provisions of this Section 4.4. All notices, demands and requests shall be effective upon personal delivery, or one (1) Business Day after being deposited with the private courier service, or two (2) Business Days after being deposited in the United States mail as required above. The inability to deliver notices because of a changed address of which no notice was given, or rejection or refusal to accept any notice offered for delivery shall be deemed to be receipt of the notice as of the date of such inability to deliver or rejection or refusal to accept delivery. Notice for either party may be given by its respective counsel. Additionally, notice from Lender may also be given by the Servicer.

4.5 Successors and Assigns. The terms, provisions, indemnities, covenants and conditions hereof shall be binding upon Borrower and the successors and assigns of Borrower, including all successors in interest in and to all or any part of the Property, and shall inure to the benefit of Lender, and its successors and assigns and shall constitute covenants running with the land. If Borrower consists of more than one person or entity, each will be jointly and severally liable to perform the obligations of Borrower.

4.6 Severability. If any provision under this Security Deed or the application thereof to any entity, person or circumstance shall be invalid, illegal or unenforceable to any extent, the remainder of this Security Deed and the application of the provisions hereof to other entities, persons or circumstances shall not be affected thereby and shall be enforced to the fullest extent permitted by law.

4.7 General Interpretative Principles. Within this Security Deed, words of any gender shall be held and construed to include any other gender, and words in the singular shall be held and construed to include the plural, and vice versa, unless the context otherwise requires.

4.8 Waiver; Discontinuance of Proceedings. Lender may waive any single Event of Default or other default hereunder by Borrower hereunder without waiving any other prior or subsequent Event of Default or other default hereunder, and may remedy any Event of Default or other default hereunder by Borrower hereunder without waiving the Event of Default or other default hereunder remedied. Neither the failure or delay by Lender in exercising, any right, power or remedy upon any Event of Default or other default hereunder by Borrower shall be construed as a waiver of such Event of Default or other default hereunder or as a waiver of the right to exercise any such right, power or remedy at a later date. No single or partial exercise by Lender of any right, power or remedy hereunder shall exhaust the same or shall preclude any other or further exercise thereof, and every such right, power or remedy hereunder may be exercised at any time and from time to time. No modification or waiver of any provision hereof nor consent to any departure by Borrower therefrom shall in any event be effective unless the same shall be in writing and signed by Lender, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose given. No notice to nor demand on Borrower in any case shall of itself entitle Borrower to any other or further notice or demand in similar or other circumstances. Acceptance by Lender of any payment in an amount less than the amount then due on any of the secured indebtedness shall be deemed an acceptance on account only and shall not in any way affect the existence of an Event of Default or other default hereunder.

4.9 Section Headings. The headings of the sections and paragraphs of this Security Deed are for convenience of reference only, are not to be considered a part hereof and shall not limit or otherwise affect any of the terms hereof.

4.10 **GOVERNING LAW. THIS SECURITY DEED WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE IN WHICH THE PROPERTY IS LOCATED, PROVIDED THAT TO THE EXTENT THAT ANY OF SUCH LAWS MAY NOW OR HEREAFTER BE PREEMPTED BY FEDERAL LAW, IN WHICH CASE SUCH FEDERAL LAW SHALL SO GOVERN AND BE CONTROLLING.**

4.11 Counting of Days. The term "days" when used herein shall mean calendar days. If any time period ends on a Saturday, Sunday or holiday officially recognized by the state within which the Real Estate is located, the period shall be deemed to end on the next succeeding Business Day; provided, however, that in the case of payments due by Borrower to Lender on a Saturday, Sunday or holiday (e.g., monthly deposits into Reserves, payments on the Notes, etc.) such payments shall be deemed due on the immediately preceding Business Day. The term "business day" or "Business Day" when used herein shall mean a weekday, Monday through Friday, except a legal holiday or a day on which banking institutions in New York, New York are authorized by law to be closed.

4.12 Application of the Proceeds of the Notes. To the extent that proceeds of the Notes are used to pay indebtedness secured by any outstanding lien, security interest, charge or prior encumbrance against the Property, such proceeds have been advanced by Lender at Borrower's request and Lender shall be subrogated to any and all rights, security interests and liens owned by any owner or holder of such outstanding liens, security interests, charges or encumbrances, irrespective of whether said liens, security interests, charges or encumbrances are released.

4.13 Unsecured Portion of Indebtedness. If any part of the secured indebtedness cannot be lawfully secured by this Security Deed or if any part of the Property cannot be lawfully subject to the lien and security interest hereof to the full extent of such indebtedness, then all payments made shall be applied on said indebtedness first in discharge of that portion thereof which is unsecured by this Security Deed.

4.14 Cross Default. A default hereunder which has not been cured within any applicable grace or cure period shall be a default under each of the other Loan Documents.

4.15 Interest After Sale. In the event the Property or any part thereof shall be sold upon foreclosure as provided hereunder, to the extent permitted by law, the sum for which the same shall have been sold shall, for purposes of redemption (if applicable, pursuant to the laws of the state in which the Property is located), bear interest at the Default Interest Rate.

4.16 Construction of this Document. This document may be construed as a mortgage, security deed, deed of trust, chattel mortgage, conveyance, assignment, security agreement, pledge, financing statement, hypothecation or contract, or any one or more of the foregoing, in order to fully effectuate the liens and security interests created hereby and the purposes and agreements herein set forth.

4.17 No Merger. It is the desire and intention of the parties hereto that this Security Deed and the lien hereof shall not merge in fee simple title to the Property.

4.18 Rights With Respect to Junior Encumbrances. Any person or entity purporting to have or to take a junior mortgage or other lien upon the Property or any interest therein shall be subject to the rights of Lender to amend, modify, increase, vary, alter or supplement this Security Deed, the Notes or any of the other Loan Documents and to extend the maturity date of the indebtedness secured hereby and to increase the amount of the indebtedness secured hereby and to waive or forebear the exercise of any of its rights and remedies hereunder or under any of the other Loan Documents and to release any collateral or security for the indebtedness secured hereby, in each and every case without obtaining the consent of the holder of such junior lien and without the lien or security interest of this Security Deed losing its priority over the rights of any such junior lien.

4.19 Lender May File Proofs of Claim. In the case of any receivership, insolvency, bankruptcy, reorganization, arrangement, adjustment, composition or other proceedings affecting Borrower or the principals or general partners in Borrower, or their respective creditors or property, Lender, to the extent permitted by law, shall be entitled to file such proofs of claim and other documents as may be necessary or advisable in order to have the claims of Lender allowed in such proceedings for the entire secured indebtedness at the date of the institution of such proceedings and for any additional amount which may become due and payable by Borrower hereunder after such date.

4.20 After-Acquired Property. All property acquired by Borrower after the date of this Security Deed which by the terms of this Security Deed shall be subject to the lien and the security interest created hereby, shall immediately upon the acquisition thereof by Borrower and without further deed, mortgage, conveyance or assignment become subject to the lien and security interest created by this Security Deed.

4.21 No Representation. By accepting delivery of any item required to be observed, performed or fulfilled or to be given to Lender pursuant to the Loan Documents, including, but not limited to, any officer's certificate, balance sheet, statement of profit and loss or other financial statement, survey, appraisal or insurance policy, Lender shall not be deemed to have warranted, consented to, or affirmed the sufficiency, legality, effectiveness or legal effect of the same, or of any term, provision or condition thereof, and such acceptance of delivery thereof shall not be or constitute any warranty, consent or affirmation with respect thereto by Lender.

4.22 Counterparts. This Security Deed may be executed in any number of counterparts, each of which shall be effective only upon delivery and thereafter shall be deemed an original, and all of which shall be taken to be one and the same instrument, for the same effect as if all parties hereto had signed the same signature page.

4.23 Personal Liability. Notwithstanding anything to the contrary contained in this Security Deed, the liability of Borrower for the indebtedness secured hereby and for the performance of the other agreements, covenants and obligations contained herein and in the Loan Documents shall be limited as set forth in Section 1.05 of the Notes; provided, however, that nothing herein shall be deemed to be a waiver of any right which Lender may have under

Sections 506(a), 506(b), 1111(b) or any other provisions of the Bankruptcy Code to file a claim for the full amount of the indebtedness secured hereby or to require that all collateral shall continue to secure all indebtedness owing to Lender in accordance with the Notes, this Security Deed and the other Loan Documents.

4.24 Recording and Filing. Borrower will cause the Loan Documents and all amendments and supplements thereto and substitutions therefor to be recorded, filed, re-recorded and re-filed in such manner and in such places as Lender shall reasonably request, and will pay on demand all such recording, filing, re-recording and re-filing taxes, fees and other charges. Borrower shall reimburse Lender, or its servicing agent, for the costs incurred in obtaining a tax service company to verify the status of payment of taxes and assessments on the Property.

4.25 Entire Agreement and Modifications. This Security Deed and the other Loan Documents contain the entire agreements between the parties and supersede any prior agreements (oral or written), and may not be amended, revised, waived, discharged, released or terminated orally but only by a written instrument or instruments executed by the party against which enforcement of the amendment, revision, waiver, discharge, release or termination is asserted.

4.26 Maximum Interest. The provisions of this Security Deed and of all agreements between Borrower and Lender, whether now existing or hereafter arising and whether written or oral, are hereby expressly limited so that in no contingency or event whatsoever, whether by reason of demand or acceleration of the maturity of the Notes or otherwise, shall the amount paid, or agreed to be paid ("Interest"), to Lender for the use, forbearance or retention of the money loaned under the Notes exceed the maximum amount permissible under applicable law. If, from any circumstance whatsoever, performance or fulfillment of any provision hereof or of any agreement between Borrower and Lender shall, at the time performance or fulfillment of such provision shall be due, exceed the limit for Interest prescribed by law or otherwise transcend the limit of validity prescribed by applicable law, then ipso facto the obligation to be performed or fulfilled shall be reduced to such limit and if, from any circumstance whatsoever, Lender shall ever receive anything of value deemed Interest by applicable law in excess of the maximum lawful amount, an amount equal to any excessive Interest shall be applied to the reduction of the principal balance owing under the Notes in the inverse order of its maturity (whether or not then due) or at the option of Lender be paid over to Borrower, and not to the payment of Interest. All Interest (including any amounts or payments judicially or otherwise under law deemed to be Interest) contracted for, charged, taken, reserved, paid or agreed to be paid to Lender shall, to the extent permitted by applicable law, be amortized, prorated, allocated and spread throughout the full term of the Notes, including any extensions and renewals thereof until payment in full of the principal balance of the Notes so that the Interest thereon for such full term will not exceed at any time the maximum amount permitted by applicable law. This Section will control all agreements between Borrower and Lender.

4.27 Application of Default Interest Rate Not a Waiver. Application of the Default Interest Rate shall not be deemed to constitute a waiver of any Event of Default or other default or any rights or remedies of Lender under this Security Deed, any other Loan Document or applicable legal requirements, or a consent to any extension of time for the payment or performance of any obligation with respect to which the Default Interest Rate may be invoked.

4.28 Interest Payable by Lender. Lender shall cause funds in the Partial Defeasance Reserve and the Replacement Reserve (the "Funds") to be deposited into interest bearing accounts of the type customarily maintained by Lender or its servicing agent for the investment of similar reserves, which accounts may not yield the highest interest rate then available. The Funds shall be held in an account in Lender's name (or such other account name as Lender may elect) at a financial institution or other depository selected by Lender (or its Servicer) in its sole discretion (collectively, the "Depository Institution"). Borrower shall earn no more than an amount of interest on the Funds equal to an amount determined by applying to the average monthly balance of such Funds the quoted interest rate for the Depository Institution's money market savings account, as such rate is determined from time to time (such allocated amount being referred to as "Borrower's Interest"). Lender or its Depository Institution shall be entitled to report under Borrower's Federal tax identification number, Borrower's Interest on the Funds. If the Depository Institution does not have an established money market savings account (or if an interest rate for such account cannot otherwise be determined in connection with the deposit of such Funds), a comparable interest rate quoted by the Depository Institution and acceptable to Lender (or its Servicer) in its reasonable discretion shall be used. The amount of Borrower's Interest allocated to Funds shall be added to the balance in the Partial Defeasance Reserve and the Replacement Reserve and shall be disbursed for payment of the items for which other Funds in the Partial Defeasance Reserve and the Replacement Reserve are to be disbursed. Notwithstanding the foregoing, to the extent the Property includes residential units, the Security Deposit Account shall bear interest, if required, pursuant to 68 P.S. § 250.511 which interest earnings shall be allocated to Borrower to the extent so required by law.

4.29 Further Stipulations. The additional covenants, agreements and provisions set forth in Exhibit B attached hereto, if any, shall be a part of this Security Deed and shall, in the event of any conflict between such further stipulations and any of the other provisions of this Security Deed, be deemed to control.

4.30 Relationship of the Parties. The relationship between Borrower and Lender is that of a borrower and a lender only and neither of those parties is, nor shall it hold itself out to be, the agent, employee, joint venturer or partner of the other party.

4.31 Fixture Filing. This Security Deed shall be effective from the date of its recording as a financing statement filed as a fixture filing with respect to all goods constituting part of the Property which are or are to become fixtures. The mailing address of Borrower and the address of Lender from which information concerning the security interests may be obtained are set forth in Section 1.22 above.

4.32 Sale of Notes and Securitization. At the request of the Lender and, to the extent not already required to be provided by Borrower under this Security Deed, Borrower shall use reasonable efforts to satisfy the market standards to which the Lender customarily adheres or which may be reasonably required in the marketplace or by the Rating Agencies in connection with any Secondary Market Transaction of rated single or multi-class securities (the "Securities") secured by or evidencing ownership interests in the Countryside Lake Lanier Note and this Security Deed, including, without limitation, to:

(a) i) provide such financial and other information with respect to the Property, the Borrower, its partners, shareholders or members and the Manager; (ii) provide budgets relating to the Property; (iii) perform or permit or cause to be performed or permitted such site inspection, appraisals, market studies, environmental reviews and reports (Phase I's and, if appropriate, Phase II's), engineering reports and other due diligence investigations of the Property, as may be reasonably requested by the Lender or the Rating Agencies or as may be necessary or appropriate in connection with the Secondary Market Transaction; and (iv) make such representations and warranties as of the closing date of the Secondary Market Transaction with respect to the Property, Borrower and the Loan Documents as may be reasonably and specifically requested by the Lender or the Rating Agencies with respect to matters specifically identified by Lender, and consistent with the facts covered by such representations and warranties as they exist on the date thereof (collectively, the "Provided Information"), together, if customary, with appropriate verification and/or consents of the Provided Information through letters of auditors or opinions of counsel of independent attorneys acceptable to the Lender and the Rating Agencies; provided, however, such obligation does not create any obligation on the part of Borrower to update the effective date of any representations made by Borrower in connection with the origination of the Loan.

(b) cause its counsel to render opinions, which may be relied upon by the Lender, the Rating Agencies and their respective counsel, agents and representatives, as to non-consolidation, fraudulent conveyance, and true sale or any other opinion customary in securitization transactions with respect to the Property and Borrower and its affiliates, which counsel and opinions shall be reasonably satisfactory to the Lender and the Rating Agencies; and

(c) execute such amendments to the Loan Documents and organizational documents; provided, however, that the Borrower shall not be required to modify or amend any Loan Document if such modification or amendment would (i) change the interest rate, the stated maturity, application of payments or the amortization of principal set forth in the Countryside Lake Lanier Note; (ii) modify or amend any other term of the Countryside Lake Lanier Loan in a manner adverse to Borrower; or (iii) modify the manner in which Borrower and/or its affiliates operate the Property or conduct their business operations. Without limiting the foregoing, at Lender's request, Borrower shall cooperate in causing the Countryside Lake Lanier Note and this Security Deed to be split into two or more notes, parts or interests, in whatever proportion Lender deems appropriate, which may be in the form of pari passu interests, senior and junior interests, or other interests.

Borrower agrees to cooperate with Lender to facilitate any such action, the transfer or disposition of the Countryside Lake Lanier Loan, the rating of the Countryside Lake Lanier Loan or of a securitization in which the Countryside Lake Lanier Loan is included. Borrower's cooperation obligation shall continue until the Countryside Lake Lanier Loan has been repaid in full, and shall include, without limitation, all of the foregoing as each may be reasonably required from time to time by Lender, Servicer, or any Lender. For purposes hereof, a "Secondary Market Transaction" shall be (a) any sale or assignment of this Security Deed, the Notes and the other Loan Documents to one or more investors as a whole loan; (b) a participation of the Countryside Lake Lanier Loan to one or more investors; (c) any deposit of this Security Deed, the Notes and the other Loan Documents with a trust or other entity which may sell certificates or other instruments to investors evidencing an ownership interest in the assets of such trust or other

entity or similar securitization; (d) any other sale, assignment or transfer of the Countryside Lake Lanier Loan or any interest therein to one or more investors; or (e) any securitization of all or any portion of Lender's interest in the Countryside Lake Lanier Loan including a securitization where Lender causes the Countryside Lake Lanier Note and this Security Deed to be split into two or more notes, parts or interests, in whatever proportion Lender deems appropriate, which may be in the form of pari passu interests, senior and junior interests, or other interests, and thereafter sells, assigns, participates, syndicates or securitizes all or any part of either such severed or split note and deed of trust; provided, however, in the event any new promissory notes evidencing the Loan are prepared and executed in connection with such a splitting of the Countryside Lake Lanier Note, Lender shall promptly return the original Countryside Lake Lanier Note to Borrower. At any time during which the Countryside Lake Lanier Loan is an asset of a securitization or is otherwise an asset of any rated transaction, "Rating Agency," shall mean the rating agency or rating agencies that from time to time rate the Securities, certificates or other instruments issued in connection with such securitization or other transaction.

All costs and expenses incurred by Lender and/or Borrower in connection with Borrower's complying with requests made under this Section shall be paid by Lender.

In the event that the provisions of this Security Deed or any of the other Loan Documents require the receipt of written confirmation from each Rating Agency with respect to the ratings on the Securities, or, in accordance with the terms of the transaction documents relating to a Secondary Market Transaction, such a rating confirmation is required in order for the consent of the Lender to be given, the Lender shall pay all of the costs and expenses of the Lender, or its Servicer and each Rating Agency in connection therewith, and, if applicable, shall pay any fees imposed by any Rating Agency as a condition to the delivery of such confirmation. Nothing in this Section 5.32 shall result in an economic change in the transaction, impose any legal obligations on Borrower or restrict Borrower in any material way.

[No Further Text on this Page; Signature Page Follows]

IN WITNESS WHEREOF, Borrower, intending to be legally bound hereby, has duly executed this Security Deed under seal to be effective as of the date set forth in the first paragraph hereof.

BORROWER:

Signed, sealed and delivered in the presence of:

SUN COUNTRYSIDE LAKE LANIER LLC,
a Michigan limited liability company

Unofficial Witness: _____

By: SUN QRS COUNTRYSIDE MANAGER, INC., a
Michigan corporation,
its Manager

Printed Name of Notary Public: _____

By: _____ (SEAL)
Name: Jonathan M. Colman
Title: Executive Vice President

(NOTARIAL SEAL)

Date of Expiration: _____

EXHIBIT LIST

- Exhibit A - Legal Description
- Exhibit B - Additional Stipulations
- Exhibit C - Description of Selected Loan Documents
- Exhibit D - Disclosed Litigation

EXHIBIT A

LEGAL DESCRIPTION

ALL THAT TRACT OR PARCEL OF LAND LYING AND BEING IN LAND LOTS NUMBER 156, 157, 170 AND 171, AND BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT A ½" REBAR FOUND AT THE INTERSECTION OF THE SOUTHWEST RIGHT OF WAY OF FRIENDSHIP ROAD (AKA PIRKLE ROAD) WITH THE NORTHWEST RIGHT OF WAY OF INTERSTATE 985 (STATE ROUTE 365); THENCE ALONG THE NORTHWESTERN RIGHT OF WAY OF INTERSTATE 985 (STATE ROUTE 365) SOUTH 16 DEGREES 28 MINUTES 41 SECONDS WEST A DISTANCE OF 70.67' TO A POINT; THENCE SOUTH 31 DEGREES 36 MINUTES 20 SECONDS WEST A DISTANCE OF 285.94' TO A ½" REBAR FOUND AND THE TRUE POINT OF BEGINNING; THENCE SOUTH WITH THE NORTHWESTERN RIGHT OF WAY OF INTERSTATE 985 (STATE ROUTE 365) SOUTH 31 DEGREES 36 MINUTES 20 SECONDS WEST A DISTANCE OF 66.54' (SOUTH 31 DEGREES 33 MINUTES 22 SECONDS WEST A DISTANCE OF 66.88' AS MEASURED) TO A ½" REBAR FOUND; THENCE SOUTH 31 DEGREES 38 MINUTES 55 SECONDS WEST A DISTANCE OF 53.76' (SOUTH 31 DEGREES 41 MINUTES 11 SECONDS WEST A DISTANCE OF 53.76' AS MEASURED) TO A CONCRETE MONUMENT FOUND; THENCE SOUTH 28 DEGREES 02 MINUTES 10 SECONDS WEST A DISTANCE OF 514.20' (SOUTH 28 DEGREES 10 MINUTES 19 SECONDS WEST A DISTANCE OF 514.07' AS MEASURED) TO A CONCRETE MONUMENT FOUND; THENCE SOUTH 45 DEGREES 20 MINUTES 45 SECONDS WEST A DISTANCE OF 300.67' (SOUTH 45 DEGREES 13 MINUTES 55 SECONDS WEST A DISTANCE OF 300.32' AS MEASURED) TO A CONCRETE RIGHT OF WAY MONUMENT FOUND; THENCE SOUTH 40 DEGREES 53 MINUTES 43 SECONDS WEST A DISTANCE OF 900.06' (SOUTH 40 DEGREES 47 MINUTES 03 SECONDS WEST A DISTANCE OF 300.67' TO A CONCRETE MONUMENT FOUND; THENCE SOUTH 40 DEGREES 53 MINUTES 07 SECONDS WEST A DISTANCE OF 600.25' AS MEASURED) TO A CONCRETE MONUMENT FOUND; THENCE SOUTH 35 DEGREES 49 MINUTES 16 SECONDS WEST A DISTANCE OF 402.00' (SOUTH 36 DEGREES 01 MINUTES 25 SECONDS WEST A DISTANCE OF 401.81' AS MEASURED) TO A CONCRETE RIGHT OF WAY MONUMENT FOUND; THENCE SOUTH 51 DEGREES 27 MINUTES 59 SECONDS WEST A DISTANCE OF 406.08' (SOUTH 51 DEGREES 28 MINUTES 12 SECONDS WEST A DISTANCE OF 406.43' AS MEASURED) TO A CONCRETE MONUMENT FOUND; THENCE SOUTH 39 DEGREES 37 MINUTES 22 SECONDS WEST A DISTANCE OF 271.06' (SOUTH 39 DEGREES 49 MINUTES 49 SECONDS WEST A DISTANCE OF 259.22' AS MEASURED) TO A POINT IN THE CENTERLINE OF A CREEK; THENCE MEANDERING ALONG THE CENTERLINE OF A CREEK SOUTH 80 DEGREES 22 MINUTES 06 SECONDS WEST A DISTANCE OF 57.96' TO A POINT; THENCE NORTH 68 DEGREES 38 MINUTES 37 SECONDS WEST A DISTANCE OF 37.26' TO A POINT; THENCE SOUTH 79 DEGREES 02 MINUTES 27 SECONDS WEST A DISTANCE OF 53.49' TO A POINT; THENCE SOUTH 81 DEGREES 54 MINUTES 34 SECONDS WEST A DISTANCE OF 113.46' TO A POINT; NORTH 07 DEGREES 17 MINUTES 28 SECONDS WEST A DISTANCE OF 37.95' TO A POINT; THENCE SOUTH 87 DEGREES 46 MINUTES 03 SECONDS WEST A DISTANCE OF 54.00' TO A POINT; THENCE NORTH 73 DEGREES 07 MINUTES 26 SECONDS WEST A DISTANCE OF 126.86' TO A POINT; THENCE NORTH 85 DEGREES 20 MINUTES 11 SECONDS WEST A DISTANCE OF 54.12' TO A POINT; THENCE NORTH 65 DEGREES 35 MINUTES 54 SECONDS WEST A DISTANCE OF 51.76' TO A POINT; THENCE NORTH 27 DEGREES 16 MINUTES 22 SECONDS WEST A DISTANCE OF 20.79' TO A POINT; THENCE NORTH 88 DEGREES 41 MINUTES 48 SECONDS WEST A DISTANCE OF 113.71' TO A POINT; THENCE NORTH 55 DEGREES 25 MINUTES 36 SECONDS WEST A DISTANCE OF 25.93' TO A POINT; THENCE NORTH 74 DEGREES 44 MINUTES 28 SECONDS WEST A DISTANCE OF 65.35' TO A POINT; THENCE NORTH 88 DEGREES 44 MINUTES 32 SECONDS WEST A DISTANCE OF 22.62' TO A POINT; (AS MEASURED ALONG THE CENTERLINE OF A CREEK SOUTH 39 DEGREES 49 MINUTES 49 SECONDS WEST A DISTANCE OF 259.22' TO A POINT IN THE CENTERLINE OF A CREEK; THENCE SOUTH 66 DEGREES 36 MINUTES 38 SECONDS WEST A DISTANCE OF 43.02' ; THENCE 87 DEGREES 08 MINUTES 57 SECONDS WEST A DISTANCE OF 225.56' TO A POINT; THENCE NORTH 00 DEGREES 45 MINUTES 25 SECONDS EAST A DISTANCE OF 33.19' TO A POINT; THENCE NORTH 78 DEGREES 49 MINUTES 31 SECONDS WEST A DISTANCE OF 111.95' TO A POINT; THENCE NORTH 69 DEGREES 50 MINUTES 56 SECONDS

WEST A DISTANCE OF 190.06' TO A POINT; THENCE SOUTH 87 DEGREES 06 MINUTES 16 SECONDS WEST A DISTANCE OF 86.31' TO A POINT; THENCE NORTH 76 DEGREES 34 MINUTES 25 SECONDS WEST A DISTANCE OF 139.63' TO A POINT;) THENCE LEAVING SAID CREEK NORTH 30 DEGREES 51 MINUTES 03 SECONDS WEST A DISTANCE OF 734.45' (NORTH 31 DEGREES 13 MINUTES 42 SECONDS WEST A DISTANCE OF 187.01' TO A ½" REBAR FOUND; THENCE NORTH 30 DEGREES 44 MINUTES 43 SECONDS WEST A DISTANCE OF 547.68' TO AN ANGLE IRON FOUND AS MEASURED) TO AN ANGLE IRON FOUND; THENCE SOUTH 59 DEGREES 37 MINUTES 46 SECONDS WEST A DISTANCE OF 447.24' (SOUTH 59 DEGREES 35 MINUTES 56 SECONDS WEST A DISTANCE OF 446.90' AS MEASURED) TO A 1/2 " REBAR FOUND; THENCE NORTH 32 DEGREES 59 MINUTES 54 SECONDS WEST A DISTANCE OF 734.75' (NORTH 33 DEGREES 16 MINUTES 25 SECONDS WEST 103.37' AS MEASURED) TO A ½" REBAR FOUND; THENCE NORTH 32 DEGREES 58 MINUTES 57 SECONDS WEST A DISTANCE OF 691.77' TO A ½" REBAR FOUND AS MEASURED) TO A ½" REBAR FOUND; THENCE NORTH 51 DEGREES 09 MINUTES 45 SECONDS EAST A DISTANCE OF 1914.64' (NORTH 52 DEGREES 06 MINUTES 01 SECONDS EAST A DISTANCE OF 1909.07' AS MEASURED) TO A ½" REBAR FOUND; THENCE NORTH 45 DEGREES 54 MINUTES 42 SECONDS EAST A DISTANCE OF 1433.07' (NORTH 46 DEGREES 52 MINUTES 30 SECONDS EAST A DISTANCE OF 1430.95' AS MEASURED) TO A ½" REBAR FOUND; THENCE SOUTH 48 DEGREES 12 MINUTES 16 SECONDS EAST A DISTANCE OF 669.15' (SOUTH 48 DEGREES 12 MINUTES 28 SECONDS EAST A DISTANCE OF 675.17' AS MEASURED) TO A ½" REBAR FOUND; THENCE NORTH 36 DEGREES 46 MINUTES 33 SECONDS EAST A DISTANCE OF 150.59' (NORTH 36 DEGREES 49 MINUTES 02 SECONDS EAST A DISTANCE OF 150.47' AS MEASURED) TO A ½" REBAR FOUND; THENCE NORTH 36 DEGREES 46 MINUTES 33 SECONDS EAST A DISTANCE OF 113.72' TO A ½" REBAR FOUND; THENCE NORTH 33 DEGREES 45 MINUTES 48 SECONDS EAST A DISTANCE OF 6.99' (NORTH 36 DEGREES 35 MINUTES 31 SECONDS EAST A DISTANCE OF 120.84' AS MEASURED) TO A 1/2" REBAR FOUND; THENCE NORTH 32 DEGREES 20 MINUTES 00 SECONDS EAST A DISTANCE OF 113.08' (NORTH 32 DEGREES 21 MINUTES 17 SECONDS EAST A DISTANCE OF 113.02' AS MEASURED) TO A ½" REBAR FOUND; THENCE SOUTH 48 DEGREES 00 MINUTES 58 SECONDS EAST A DISTANCE OF 101.22' (SOUTH 48 DEGREES 00 MINUTES 58 SECONDS EAST A DISTANCE OF 101.22' AS MEASURED) TO A ½" REBAR FOUND; THENCE SOUTH 32 DEGREES 08 MINUTES 44 SECONDS WEST A DISTANCE OF 64.71' (SOUTH 32 DEGREES 09 MINUTES 14 SECONDS WEST A DISTANCE OF 64.71' AS MEASURED) TO A ½" REBAR SET; THENCE SOUTH 47 DEGREES 59 MINUTES 00 SECONDS EAST A DISTANCE OF 9.50' (SOUTH 47 DEGREES 59 MINUTES 00 SECONDS EAST A DISTANCE OF 9.50' AS MEASURED) TO A ½" REBAR SET; THENCE SOUTH 33 DEGREES 53 MINUTES 38 SECONDS WEST A DISTANCE OF 320.64' (SOUTH 48 DEGREES 54 MINUTES 50 SECONDS WEST A DISTANCE OF 320.82' AS MEASURED) TO A ½" REBAR FOUND; THENCE SOUTH 48 DEGREES 12 MINUTES 16 SECONDS EAST A DISTANCE OF 772.26' (SOUTH 48 DEGREES 11 MINUTES 41 SECONDS EAST A DISTANCE OF 772.20' AS MEASURED) TO A ½" REBAR FOUND; THENCE SOUTH 15 DEGREES 07 MINUTES 41 SECONDS WEST A DISTANCE OF 71.74' (SOUTH 15 DEGREES 04 MINUTES 51 SECONDS WEST A DISTANCE OF 71.76' AS MEASURED) TO A ½" REBAR FOUND; THENCE NORTH 68 DEGREES 52 MINUTES 27 SECONDS EAST A DISTANCE OF 72.01' (NORTH 68 DEGREES 51 MINUTES 56 SECONDS EAST A DISTANCE OF 72.06' AS MEASURED) TO A ½" REBAR FOUND; THENCE SOUTH 48 DEGREES 12 MINUTES 16 SECONDS EAST A DISTANCE OF 38.98' (SOUTH 48 DEGREES 16 MINUTES 04 SECONDS EAST A DISTANCE OF 39.02' AS MEASURED) TO A ½" REBAR FOUND AND THE TRUE POINT OF BEGINNING.

CONTAINING 146.94 ACRES (149.42 ACRES AS MEASURED)

EXHIBIT B

ADDITIONAL STIPULATIONS

- B-1 Cash Management Stipulations. Borrower, Lender and any Manager have, of even date herewith, entered into that certain Cash Management Agreement (the "Cash Management Agreement") of even date herewith which, upon the inception and during the continuation of a Sweep Period (as defined in the Cash Management Agreement), provides for the disposition of Rents and Profits from the Property. It is specifically agreed that (i) the Cash Management Agreement is one of the Loan Documents (as defined in this Security Deed), and (ii) during a Sweep Period, the Clearing Account, the Cash Collateral Account and all other Accounts and Sub-Accounts (as such terms are described or defined in the Cash Management Agreement) shall be included within the Reserves (as defined in this Security Deed). The Reserves and any disbursement therefrom shall be subject to both this Security Deed, the Cash Management Agreement and the other Loan Documents. During any Sweep Period (as defined in the Cash Management Agreement), all references in this Security Deed to the Impound Account and to the other Reserves shall be deemed to refer to the Sub-Account of the Cash Collateral Account (as defined in the Cash Management Agreement) into which the proceeds of each such Reserve have been deposited pursuant to the Cash Management Agreement. During any Sweep Period, all payments from Borrower to Lender with respect to Reserves shall be made by disbursement from the Clearing Account or as otherwise provided in the Cash Management Agreement. During any Sweep Period, all sums held in the Cash Collateral Account prior to being allocated into the Sub-Accounts shall also be considered "Funds" for purposes of Section 4.28 hereof and shall bear interest to be added to the Cash Collateral Account in accordance with that provision; provided, however, once such monies in the Cash Collateral Account have been allocated to Sub-Accounts pursuant to the terms of the Cash Management Agreement, such Sub-Accounts shall bear interest for the ultimate benefit of Borrower only to the extent required by Section 4.28 hereof or by the Cash Management Agreement.
- B-2 Curtailement Reserve. During any Curtailement Period (as defined in the Cash Management Agreement), Borrower shall be required to establish and maintain a reserve (the "Curtailement Reserve") to be funded, maintained and disbursed in accordance with the terms and provisions of the Cash Management Agreement.

EXHIBIT C

DESCRIPTION OF SELECTED LOAN DOCUMENTS

I. The term "Notes" as used herein shall refer collectively to the following Promissory Notes, each dated as indicated herein and the term "Note" shall mean one of the Notes:

Maker	Payee	Initial Stated Principal Amount	Additional Definition and Terminology
1. Sun Villa MHC LLC	ARCS Commercial Mortgage Co., L.P., its successors and assigns	\$18,300,000.00 (the " <u>Sun Villa Loan Amount</u> ") with a maturity date of August 6, 2016	This Promissory Note dated as of July 10, 2006 is referred to herein as the " <u>Sun Villa Note</u> " and the indebtedness evidenced thereby as the " <u>Sun Villa Loan</u> "
2. Sun Countryside Atlanta LLC	ARCS Commercial Mortgage Co., L.P., its successors and assigns	\$12,950,000.00 (the " <u>Countryside Atlanta Loan Amount</u> ") with a maturity date of August 6, 2016	This Promissory Note dated as of July 10, 2006 is referred to herein as the " <u>Countryside Atlanta Note</u> " and the indebtedness evidenced thereby as the " <u>Countryside Atlanta Loan</u> "
3. Sun Countryside Lake Lanier LLC	ARCS Commercial Mortgage Co., L.P., its successors and assigns	\$16,850,000.00 (the " <u>Countryside Lake Lanier Loan Amount</u> ") with a maturity date of August 6, 2016	This Promissory Note dated as of August 1, 2006 is referred to herein as the " <u>Countryside Lake Lanier Note</u> " and the indebtedness evidenced thereby as the " <u>Countryside Lake Lanier Loan</u> "

As used herein, the term "Loans" shall collectively refer to the Sun Villa Loan, the Countryside Atlanta Loan and the Countryside Lake Lanier Loan; the term "Loan Amount" shall refer to the aggregate amount of the Loans unless the context requires otherwise; the term "Other Notes" shall refer to the Sun Villa Note and the Countryside Atlanta Note; and the term "Other Loans" shall refer to the Sun Villa Loan and the Countryside Atlanta Loan.

II. The term "Deeds of Trust" as used herein shall refer collectively to the following documents, whether such documents be deeds to secure debt or deeds of trust or otherwise, each dated as indicated herein:

Title of Document	Grantor or Mortgagor	Property	County of Recordation	Additional Definitions
1. Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing	Sun Villa MHC LLC	Sun Villa 91 Cabernet Parkway Reno, Nevada 89512	Washoe County, Nevada	This Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing Trust and Security Agreement dated July 10, 2006 is referred to herein as the " <u>Sun Villa Deed of Trust</u> "
2. Deed to Secure Debt and Security Agreement	Sun Countryside Atlanta LLC	Countryside Village of Atlanta 10 Sweetwater Way Lawrenceville, Georgia 30044	Gwinnett County, Georgia	This Deed to Secure Debt and Security Agreement dated July 10, 2006 is referred to herein as the " <u>Countryside Atlanta Deed of Trust</u> "
3. Deed to Secure Debt and Security Agreement	Sun Countryside Lake Lanier LLC	Countryside Village of Lake Lanier 4802 Friendship Road Buford, Georgia 30518	Hall County, Georgia	This Deed to Secure Debt and Security Agreement dated August 1, 2006 is referred to herein as the " <u>Countryside Lake Lanier Deed of Trust</u> "

Each of the real properties and other collateral identified in the Deeds of Trust described above (including the Property) are referred to collectively as the "Related Properties"; and the term "Other Deeds of Trust" shall refer to the Sun Villa Deed of Trust and the Countryside Atlanta Deed of Trust.

III.

The term "Assignments" as used herein shall refer collectively to the following documents, each dated as indicated herein:

Title of Document	Assignor	Property	County of Recordation	Additional Definitions
1. Assignment of Leases and Rents	Sun Villa MHC LLC	Sun Villa 91 Cabernet Parkway Reno, Nevada 89512	Washoe County, Nevada	This Assignment of Leases and Rents dated July 10, 2006 is referred to herein as the " <u>Sun Villa Assignment</u> "
2. Assignment of Leases and Rents	Sun Countryside Atlanta LLC	Countryside Village of Atlanta 10 Sweetwater Way Lawrenceville, Georgia 30044	Gwinnett County, Georgia	This Assignment of Leases and Rents dated July 10, 2006 is referred to herein as the " <u>Countryside Atlanta Assignment</u> "
2. Assignment of Leases and Rents	Sun Countryside Lake Lanier LLC	Countryside Village of Lake Lanier 4802 Friendship Road Buford, Georgia 30518	Hall County, Georgia	This Assignment of Leases and Rents dated August 1, 2006 is referred to herein as the " <u>Countryside Lake Lanier Assignment</u> "

EXHIBIT D

DISCLOSED LITIGATION

1. *Aguilera v. Sun Communities, Incorporated and Sun Communities Operating Limited Partnership*, U.S. District Court, Eastern District of Michigan (Detroit), Case No. 2:06-cv-10895-PDB-SDP, filed February 28, 2002, RE: 443 Civil Rights: Accommodations
2. *Dwight and Dawn Bloss v. Sun Communities Operating Limited Partnership*, Michigan Court of Appeals, Case No: 266602; Oakland County Circuit Court Case No: 05-063884

THIS INSTRUMENT IS A FUTURE ADVANCE, RENEWAL AND CONSOLIDATION PROMISSORY NOTE AND EVIDENCES (A) THE RENEWAL OF PRINCIPAL INDEBTEDNESS IN THE AMOUNT OF \$16,611,051.78 OUTSTANDING UNDER THAT CERTAIN CONSOLIDATED RENEWAL PROMISSORY NOTE, DATED SEPTEMBER 4, 1997, IN THE ORIGINAL PRINCIPAL AMOUNT OF \$19,000,000.00, MADE BY BORROWER IN FAVOR OF LEHMAN BROTHERS HOLDINGS INC. (D/B/A LEHMAN CAPITAL, A DIVISION OF LEHMAN BROTHERS HOLDINGS INC.), A DELAWARE CORPORATION ("LEHMAN HOLDINGS"), AS FURTHER ASSIGNED TO LASALLE NATIONAL BANK, AS TRUSTEE FOR THE COMMERCIAL MORTGAGE PASS-THROUGH CERTIFICATES SERIES 1997-LL1 ("LASALLE"), AS ASSIGNED TO LENDER (THE "THIRD CONSOLIDATED NOTE"), (B) A FUTURE ADVANCE IN THE ORIGINAL PRINCIPAL AMOUNT OF \$37,388,948.22 MADE BY LENDER TO BORROWER ON EVEN DATE HEREWITH (THE "CURRENT FUTURE ADVANCE") AND (C) THE CONSOLIDATION OF THE INDEBTEDNESS EVIDENCED BY THE THIRD CONSOLIDATED NOTE AND THE CURRENT FUTURE ADVANCE WITHOUT ENLARGEMENT OF THE AGGREGATE OUTSTANDING PRINCIPAL BALANCE THEREOF. THE THIRD CONSOLIDATED NOTE RENEWED AND CONSOLIDATED THE INDEBTEDNESS EVIDENCED BY THAT CERTAIN (A) AMENDED AND RESTATED RENEWAL NOTE, DATED MAY 1, 1996, IN THE ORIGINAL PRINCIPAL AMOUNT OF \$14,702,265.60 MADE BY BORROWER IN FAVOR OF LEHMAN HOLDINGS (THE "LEHMAN RENEWAL NOTE") AND (B) FUTURE ADVANCE PROMISSORY NOTE, DATED SEPTEMBER 4, 1997, IN THE ORIGINAL PRINCIPAL AMOUNT OF \$4,297,734.40, MADE BY BORROWER IN FAVOR OF LEHMAN HOLDINGS (THE "THIRD FUTURE ADVANCE NOTE") WITHOUT ENLARGEMENT OF THE AGGREGATE OUTSTANDING PRINCIPAL BALANCE THEREOF. THE LEHMAN RENEWAL NOTE RENEWED INDEBTEDNESS EVIDENCED BY THAT CERTAIN RENEWAL PROMISSORY NOTE, DATED JULY 21, 1993, IN THE ORIGINAL PRINCIPAL AMOUNT OF \$15,200,000, MADE BY BORROWER IN FAVOR OF AID ASSOCIATION FOR LUTHERANS, A WISCONSIN CORPORATION ("AAFL") (THE "SECOND CONSOLIDATED NOTE"), AS ASSIGNED BY AAFL TO SUN COMMUNITIES OPERATING LIMITED PARTNERSHIP, A MICHIGAN LIMITED PARTNERSHIP ("SUN"), AND FURTHER ASSIGNED BY SUN TO LEHMAN HOLDINGS. THE SECOND CONSOLIDATED NOTE RENEWED AND CONSOLIDATED INDEBTEDNESS EVIDENCED BY (A) THAT CERTAIN CONSOLIDATING NOTE AGREEMENT MADE BY BORROWER IN FAVOR OF AAFL, DATED SEPTEMBER 28, 1989, IN THE ORIGINAL PRINCIPAL AMOUNT OF \$14,000,000.00 (THE "FIRST CONSOLIDATED NOTE") AND (B) A FUTURE ADVANCE PROMISSORY NOTE, DATED JULY 21, 1993, IN THE ORIGINAL PRINCIPAL AMOUNT OF \$1,553,159.48, MADE BY BORROWER IN FAVOR OF AAFL WITHOUT ENLARGEMENT OF THE AGGREGATE OUTSTANDING PRINCIPAL BALANCE THEREOF (THE "SECOND FUTURE ADVANCE NOTE"). THE FIRST CONSOLIDATED NOTE RENEWED AND CONSOLIDATED INDEBTEDNESS EVIDENCED BY (A) THAT CERTAIN MORTGAGE NOTE, DATED SEPTEMBER 28, 1989, IN THE ORIGINAL PRINCIPAL AMOUNT OF \$2,117,807.37, MADE BY BORROWER IN FAVOR OF AAFL (THE "SECOND MORTGAGE NOTE"), (B) THAT CERTAIN PROMISSORY NOTE, DATED JUNE 25, 1987, IN THE ORIGINAL PRINCIPAL AMOUNT OF \$10,000,000.00, MADE BY BORROWER IN FAVOR OF GIBRALTAR SAVINGS, A CALIFORNIA CORPORATION ("GIBRALTAR"), AS ASSIGNED BY GIBRALTAR TO AAFL (THE "FIRST RENEWAL NOTE") AND (C) THAT CERTAIN FUTURE ADVANCE SECURED PROMISSORY NOTE, DATED NOVEMBER 16, 1987, IN THE ORIGINAL PRINCIPAL AMOUNT OF \$2,000,000.00 GIVEN BY BORROWER IN FAVOR OF GIBRALTAR, AS ASSIGNED BY GIBRALTAR TO AAFL (THE "FIRST FUTURE ADVANCE NOTE") WITHOUT ENLARGEMENT OF THE AGGREGATE OUTSTANDING PRINCIPAL BALANCE THEREOF. THE FIRST RENEWAL NOTE RENEWED AND RESTATED THE INDEBTEDNESS EVIDENCED BY THAT CERTAIN PROMISSORY NOTE DATED MAY 20, 1987 IN THE ORIGINAL PRINCIPAL AMOUNT OF \$10,000,000.00, MADE BY BORROWER IN FAVOR OF BARNETT BANK OF SOUTH FLORIDA, N.A., NATIONAL BANKING ASSOCIATION ("BARNETT"), AS ASSIGNED BY BARNETT TO GIBRALTAR (THE "ORIGINAL NOTE").

ALL DOCUMENTARY STAMP TAXES AND INTANGIBLE TAXES DUE IN CONNECTION WITH THE ORIGINAL NOTE WERE PAID UPON THE RECORDATION OF THAT CERTAIN MORTGAGE AND SECURITY AGREEMENT EXECUTED BY BORROWER IN FAVOR OF BARNETT, DATED MAY 20, 1987, AND RECORDED IN

THE ORIGINAL MORTGAGE WAS ASSIGNED TO GIBRALTAR PURSUANT TO THAT CERTAIN ASSIGNMENT OF MORTGAGE AND SECURITY AGREEMENT, DATED JUNE 25, 1987, AND RECORDED IN OFFICIAL RECORDS BOOK 13328, AT PAGE 2317, OF THE PUBLIC RECORDS OF MIAMI-DADE COUNTY, FLORIDA; WAS MODIFIED PURSUANT TO THAT CERTAIN AMENDED AND RESTATED MORTGAGE, ASSIGNMENT OF RENTS AND SECURITY AGREEMENT BETWEEN BORROWER AND GIBRALTAR, DATED JUNE 25, 1987, AND RECORDED IN OFFICIAL RECORDS BOOK 13328, AT PAGE 2321, OF THE PUBLIC RECORDS OF MIAMI-DADE COUNTY, FLORIDA, (THE "FIRST MODIFICATION"); WAS FURTHER MODIFIED PURSUANT TO THAT CERTAIN RECEIPT OF ADVANCE UNDER MORTGAGE PROVIDING FOR FUTURE ADVANCES BETWEEN BORROWER AND GIBRALTAR, DATED NOVEMBER 16, 1987, AND RECORDED IN OFFICIAL RECORDS BOOK 13488, AT PAGE 1965, OF THE PUBLIC RECORDS OF MIAMI-DADE COUNTY, FLORIDA, (THE "SECOND MODIFICATION"), AS ASSIGNED TO AAFL PURSUANT TO THAT CERTAIN ASSIGNMENT OF LOAN DOCUMENTS, DATED SEPTEMBER 27, 1989, AND RECORDED IN OFFICIAL RECORDS BOOK 14274, AT PAGE 32 OF THE PUBLIC RECORDS OF MIAMI-DADE COUNTY, FLORIDA.

ALL DOCUMENTARY STAMP TAXES AND INTANGIBLE TAXES DUE IN CONNECTION WITH THE SECOND MORTGAGE NOTE WERE PAID UPON THE RECORDATION OF THAT CERTAIN MORTGAGE DEED GIVEN BY BORROWER TO AAFL, DATED SEPTEMBER 28, 1989, AND RECORDED IN OFFICIAL RECORDS BOOK 14274, AT PAGE 35, OF THE PUBLIC RECORDS OF MIAMI-DADE COUNTY, FLORIDA.

THE FIRST RENEWAL NOTE, THE FIRST FUTURE ADVANCE NOTE AND THE SECOND MORTGAGE NOTE WERE CONSOLIDATED PURSUANT TO THAT CERTAIN CONSOLIDATION, MODIFICATION AND EXTENSION AGREEMENT BETWEEN BORROWER AND AAFL, DATED SEPTEMBER 28, 1989, AND RECORDED IN OFFICIAL RECORDS BOOK 14274, AT PAGE 45, OF THE PUBLIC RECORDS OF MIAMI-DADE COUNTY, FLORIDA (THE "THIRD MODIFICATION"), AND FURTHER MODIFIED BY THAT CERTAIN RENEWAL MORTGAGE AND SECURITY AGREEMENT BETWEEN BORROWER AND AAFL, DATED JULY 21, 1993 AND RECORDED IN OFFICIAL RECORDS BOOK 15991, AT PAGE 0221, OF THE PUBLIC RECORDS OF MIAMI-DADE COUNTY, FLORIDA (THE "FOURTH MODIFICATION"), AND FURTHER ASSIGNED TO SUN PURSUANT TO THAT CERTAIN ASSIGNMENT OF LOAN INSTRUMENTS, DATED APRIL 19, 1996, AND RECORDED IN OFFICIAL RECORDS BOOK 17187, AT PAGE 1522, OF THE PUBLIC RECORDS OF MIAMI-DADE COUNTY, FLORIDA, AND FURTHER ASSIGNED TO LEHMAN HOLDINGS, PURSUANT TO THAT CERTAIN ASSIGNMENT OF LOAN INSTRUMENTS, DATED MAY 1, 1996, AND RECORDED IN OFFICIAL RECORDS BOOK 17187, AT PAGE 1528, OF THE PUBLIC RECORDS OF MIAMI-DADE COUNTY, FLORIDA, AND FURTHER MODIFIED BY THAT CERTAIN AMENDED AND RESTATED RENEWAL MORTGAGE AND SECURITY AGREEMENT BETWEEN BORROWER AND LEHMAN HOLDINGS, DATED MAY 1, 1996, AND RECORDED IN OFFICIAL RECORDS BOOK 17187, AT PAGE 1534 OF THE PUBLIC RECORDS OF MIAMI-DADE COUNTY, FLORIDA (THE "FIFTH MODIFICATION"), AND FURTHER MODIFIED BY THAT CERTAIN NOTICE OF FUTURE ADVANCE, DATED SEPTEMBER 4, 1997, AND RECORDED IN OFFICIAL RECORDS BOOK 17780, AT PAGE 2289 OF THE PUBLIC RECORDS OF MIAMI-DADE COUNTY, FLORIDA (THE "SIXTH MODIFICATION"), AND FURTHER MODIFIED BY THAT CERTAIN CONSOLIDATED RENEWAL MORTGAGE AND SECURITY AGREEMENT BETWEEN BORROWER AND LEHMAN HOLDINGS, DATED SEPTEMBER 4, 1997, AND RECORDED IN OFFICIAL RECORDS BOOK 17780, AT PAGE 2294 OF THE PUBLIC RECORDS OF MIAMI-DADE COUNTY, FLORIDA (THE "SEVENTH MODIFICATION"), AND FURTHER MODIFIED

BY THAT CERTAIN AMENDMENT TO CONSOLIDATED RENEWAL MORTGAGE AND SECURITY AGREEMENT BETWEEN BORROWER AND LEHMAN HOLDINGS, DATED AS OF SEPTEMBER 4, 1997, AND RECORDED IN OFFICIAL RECORDS BOOK 17833, AT PAGE 0108 OF THE PUBLIC RECORDS OF MIAMI-DADE COUNTY, FLORIDA (THE "EIGHTH MODIFICATION"), AND ASSIGNED BY LEHMAN HOLDINGS TO LASALLE PURSUANT TO THAT CERTAIN ASSIGNMENT OF CONSOLIDATED RENEWAL MORTGAGE AND SECURITY AGREEMENT, DATED EFFECTIVE AS OF OCTOBER 14, 1997, AND RECORDED IN OFFICIAL RECORDS BOOK 24079, AT PAGE 2982, OF THE PUBLIC RECORDS OF MIAMI-DADE COUNTY, FLORIDA.

ALL DOCUMENTARY STAMP TAXES AND INTANGIBLE TAXES DUE IN CONNECTION WITH THE FIRST FUTURE ADVANCE NOTE WERE PAID UPON THE RECORDATION OF THE SECOND MODIFICATION.

ALL DOCUMENTARY STAMP TAXES AND INTANGIBLE TAXES DUE IN CONNECTION WITH THE SECOND FUTURE ADVANCE NOTE WERE PAID UPON THE RECORDATION OF THE FOURTH MODIFICATION.

ALL DOCUMENTARY STAMP TAXES AND INTANGIBLE TAXES DUE IN CONNECTION WITH THE THIRD FUTURE ADVANCE NOTE WERE PAID UPON THE RECORDATION OF THE SIXTH MODIFICATION.

THE ORIGINAL MORTGAGE, AS MODIFIED BY THE FIRST MODIFICATION, THE SECOND MODIFICATION, THE THIRD MODIFICATION, THE FOURTH MODIFICATION, THE FIFTH MODIFICATION, THE SIXTH MODIFICATION, THE SEVENTH MODIFICATION, AND THE EIGHTH MODIFICATION, HAVE BEEN ASSIGNED TO LENDER BY VIRTUE OF THAT CERTAIN ASSIGNMENT OF CONSOLIDATED RENEWAL MORTGAGE AND SECURITY AGREEMENT MADE BY LASALLE IN FAVOR OF LENDER AS OF EVEN DATE HEREWITH AND RECORDED IMMEDIATELY PRIOR TO THE NOTICE OF FUTURE ADVANCE, MORTGAGE MODIFICATION, EXTENSION AND SPREADER AGREEMENT AND SECURITY AGREEMENT.

ADDITIONAL DOCUMENTARY STAMPS IN THE AMOUNT OF \$130,861.50 AND INTANGIBLE TAX IN THE AMOUNT OF \$74,777.90 BASED ON THE FUTURE ADVANCE HEREUNDER IN THE AMOUNT OF \$37,388,948.22 ARE BEING PAID CONCURRENTLY WITH THE RECORDATION OF THE NOTICE OF FUTURE ADVANCE, MORTGAGE MODIFICATION, EXTENSION AND SPREADER AGREEMENT AND SECURITY AGREEMENT SECURING THIS FUTURE ADVANCE, RENEWAL AND CONSOLIDATION PROMISSORY NOTE.

**FUTURE ADVANCE, RENEWAL AND
CONSOLIDATION PROMISSORY NOTE**

\$54,000,000

November__15, 2006

FOR VALUE RECEIVED MIAMI LAKES VENTURE ASSOCIATES, a Florida general partnership, as maker, having an address at 27777 Franklin Road, Suite 200, Southfield, Michigan 48034 ("**Borrower**"), hereby unconditionally promises to pay to the order of **LEHMAN BROTHERS BANK, FSB**, a federal stock savings bank, having an address at 1000 West Street, Suite 200, Wilmington,

Delaware 19801 (“**Lender**”), or at such other place as the holder hereof may from time to time designate in writing, the principal sum of **FIFTY-FOUR MILLION AND NO/100 DOLLARS (\$54,000,000.00)**, in lawful money of the United States of America with interest thereon to be computed from the date of this Note at the Applicable Interest Rate (defined below), and to be paid in installments as provided herein.

1. CERTAIN DEFINED TERMS

As used herein the following terms shall have the meanings set forth below:

(a) “**Accrual Period**” means the period commencing on the eleventh (11th) day of a calendar month and ending on the tenth (10th) day of the succeeding calendar month; provided that if this Note is dated as of any date other than the eleventh (11th) day of a month, the first Accrual Period shall (i) consist of only the date hereof, if the date hereof is the tenth (10th) day of a month, or (ii) commence on the date hereof and shall end on the next tenth (10th) day of a calendar month to occur after the date hereof.

(b) “**Applicable Interest Rate**” shall mean an interest rate equal to 5.79 % per annum.

(c) “**Loan**” shall mean the loan evidenced by this Note.

(d) “**Loan Documents**” shall mean this Note, the Security Instrument, and any other documents or instruments which now or shall hereafter wholly or partially secure or guarantee payment of this Note or which have otherwise been executed by Borrower and/or any other person in connection with the Loan.

(e) “**Defeasance Lockout Date**” shall mean the earlier of (a) the fourth (4th) anniversary of the date hereof and (b) the Prepayment Lockout Date.

(f) “**Maturity Date**” shall mean December 11, 2016.

(g) “**Monthly Payment**” shall mean an amount equal to all interest that has accrued on the outstanding principal balance of this Note during the immediately preceding Accrual Period.

(h) “**Monthly Payment Date**” shall mean the eleventh (11th) day of each calendar month prior to the Maturity Date commencing on (i) the eleventh (11th) day of the next succeeding calendar month after the date hereof if this Note is dated on or prior to the eleventh (11th) day of a month, or (ii) the eleventh (11th) day of the second succeeding calendar month after the date hereof if this Note is dated after the eleventh (11th) day of a month.

(i) “**Par Date**” shall mean September 11, 2016.

(j) “**Prepayment Lockout Date**” shall mean two years and one day from the “startup day” (the “**Startup Day**”) of any “real estate mortgage investment conduit” (as such terms are defined in Sections 860G and 860D, respectively, of the Internal Revenue Code of 1986, as amended, or any successor statute thereto (the “**Code**”)), which may acquire the Loan.

(k) “**Security Instrument**” shall mean, collectively, that certain Mortgage given by Miami Lakes Venture Associates, a Florida general partnership (“Borrower”), in favor of Barnett Bank of South Florida, N.A. (“Barnett”) in the original principal amount of \$10,000,000.00, dated May 20, 1987, and recorded May 22, 1987 in Official Records Book 13288, Page 4013; as assigned by Barnett to Gibraltar Savings (“Gibraltar”) by Assignment of Mortgage and Security Agreement, dated June 25, 1987, and recorded June 30, 1987 in Official Records Book 13328, page 2317; as modified by Amended and Restated Mortgage, Assignment of Rents and Security Agreement given by Borrower to Gibraltar, dated June 25, 1987, and recorded June 30, 1987 in Official Records Book 13328, page 2321 and Receipt of Advance under Mortgage Providing for Future Advances given by Borrower to Gibraltar, dated June 25, 1987, and recorded June 30, 1987 in Official Records Book 13488, page 1965; as further assigned to Aid

Association for Lutherans ("Lutherans") by Assignment of Loan Documents, dated November 16, 1987, and recorded November 24, 1987 in Official Records Book 14274, page 32 (the "First Mortgage") and that certain Mortgage given by Borrower to Lutherans in the original principal amount of \$2,117,807.37, dated September 28, 1989, and recorded September 29, 1989, in Official Records Book 14274, page 35 (the "Second Mortgage"), as (i) consolidated by virtue of that certain Consolidation, Modification and Extension Agreement by and between Borrower and Lutherans, dated September 28, 1989, recorded September 29, 1989 in Official Records Book 14274, page 45, (ii) amended and restated by Renewal Mortgage and Security Agreement, dated September 28, 1989, and recorded September 29, 1989 in Official Records Book 15991, page 221, as assigned by Lutherans to Sun Communities Operating Limited Partnership by Assignment of Loan Instruments, dated April 19, 1996, and recorded May 2, 1996 in Official Records Book 17187, page 1522, (iii) further assigned to Lehman Brothers Holdings Inc. d/b/a Lehman Capital, a division of Lehman Brothers Holdings Inc. ("Lehman Holdings") by Assignment of Loan Instruments, dated as of May 1, 1996, and recorded May 2, 1996 in Official Records Book 17187, page 1528, (iv) further amended and restated by Amended and Restated Renewal Mortgage and Security Agreement, dated May 1, 1996, recorded May 2, 1996 in Official Records Book 17187, page 1534, (v) further modified by Notice of Future Advance, dated September 4, 1997, recorded in Official Records Book 17780, page 2289, (vi) further amended and restated by Consolidated Renewal Mortgage and Security Agreement, dated as of September 4, 1997, recorded on September 8, 1997 in Official Records Book 17780, Page 2294, (vii) further amended by Amendment to Consolidated Renewal Mortgage and Security Agreement recorded October 17, 1997 in Official Records Book 17833, Page 0108, and (viii) further assigned to LaSalle Bank National Association (as successor in interest to LaSalle National Bank), as Trustee for the Registered Holders of Structured Asset Securities Corporation, Commercial Pass-through Mortgage Certificates Series 1997-LL I ("La Salle"), as assigned by LaSalle to Lender pursuant to that certain in favor of Lender on or about the date hereof and as further modified by that certain Notice of Future Advance, Mortgage Modification, Extension And Spreader Agreement and Security Agreement dated the date hereof given by Borrower to (or for the benefit of) Lender (the "Notice of Future Advance, Mortgage Modification, Extension and Spreader Agreement and Security Agreement"), which Security Instrument encumbers the fee estate of Borrower in certain premises located in Miami-Dade County, State of Florida, and other property, as more particularly described therein (collectively, the "**Property**").

2. PAYMENT TERMS

(a) If this Note is dated as of a date other than the eleventh (11th) day of a calendar month, a payment shall be due from Borrower to Lender on the date hereof on account of all interest scheduled to accrue on the principal sum from and after the date hereof through and including the last day of the current Accrual Period. The Monthly Payment shall be due from Borrower to Lender on each Monthly Payment Date, with each Monthly Payment to be applied as follows: to the payment of interest which has accrued during the preceding Accrual Period computed at the Applicable Interest Rate. The principal sum and all interest thereon shall be due and payable on the Maturity Date. Interest on the principal sum of this Note shall be calculated by multiplying the actual number of days elapsed in the period for which interest is being calculated by a daily rate based on a 360-day year.

(b) Unless payments are made in the required amount in immediately available funds at the place where this Note is payable, remittances in payment of all or any part of the Debt (defined below) shall not, regardless of any receipt or credit issued therefor, constitute payment until the required amount is actually received by Lender in funds immediately available at the place where this Note is payable (or any other place as Lender, in Lender's sole discretion, may have established by delivery of written notice thereof to Borrower) and shall be made and accepted subject to the condition that any check or draft may be handled for collection in accordance with the practice of the collecting bank or banks.

3. DEFAULT AND ACCELERATION

(a) The whole of the principal sum of this Note, (b) interest, default interest, late charges and other sums, as provided in this Note, the Security Instrument or the other Loan Documents, (c) all other monies agreed or provided to be paid by Borrower in this Note, the Security Instrument or the other Loan Documents, (d) all sums advanced pursuant to the Security Instrument to protect and preserve the

Property and the lien and the security interest created thereby, and (e) all sums advanced and costs and expenses incurred by Lender in connection with the Debt (defined below) or any part thereof, any renewal, extension, or change of or substitution for the Debt or any part thereof, or the acquisition or perfection of the security therefor, whether made or incurred at the request of Borrower or Lender (all the sums referred to in (a) through (e) above shall collectively be referred to as the “**Debt**”) shall without notice become immediately due and payable at the option of Lender if any payment required in this Note prior to the Maturity Date is not paid on the date when due or on the happening of any other default, after the expiration of any applicable notice and grace periods, herein or under the terms of the Security Instrument or any of the other Loan Documents (collectively, an “**Event of Default**”).

4. **DEFAULT INTEREST**

Borrower does hereby agree that upon the occurrence of an Event of Default, Lender shall be entitled to receive and Borrower shall pay interest on the entire unpaid principal sum at a rate (the “**Default Rate**”) equal to (i) the greater of (a) the Applicable Interest Rate plus three percent (3%) and (b) the Prime Rate (as hereinafter defined) plus four percent (4%) or (ii) the maximum interest rate that Borrower may by law pay, whichever is lower. The Default Rate shall be computed from the occurrence of the Event of Default until the earlier of the date upon which the Event of Default is cured or the date upon which the Debt is paid in full. Interest calculated at the Default Rate shall be added to the Debt, and shall be deemed secured by the Security Instrument. This provision, however, shall not be construed as an agreement or privilege to extend the date of the payment of the Debt, nor as a waiver of any other right or remedy accruing to Lender by reason of the occurrence of any Event of Default.

The “**Prime Rate**” shall mean the annual rate of interest publicly announced by Citibank, N.A. in New York, New York, as its base rate, as such rate shall change from time to time. If Citibank, N.A. ceases to announce a base rate, Prime Rate shall mean the rate of interest published in The Wall Street Journal from time to time as the Prime Rate. If more than one Prime Rate is published in The Wall Street Journal for a day, the average of the Prime Rates shall be used, and such average shall be rounded up to the nearest one-quarter of one percent (.25%). If The Wall Street Journal ceases to publish the “Prime Rate”, the Lender shall select an equivalent publication that publishes such “Prime Rate”, and if such prime rates are no longer generally published or are limited, regulated or administered by a governmental or quasi-governmental body, then Lender shall select a comparable interest rate index.

5. **PREPAYMENT; DEFEASANCE**

(a) Borrower shall not have the right or privilege to prepay all or any portion of the unpaid principal balance of this Note until the Prepayment Lockout Date. From and after the Prepayment Lockout Date, provided no Event of Default exists, the principal balance of this Note may be prepaid, in whole but not in part, upon: (i) not less than 30 days and not more than 60 days prior written notice (the “**Prepayment Notice**”) to Lender specifying the date on which prepayment is to be made (the “**Prepayment Date**”); (ii) payment of all accrued and unpaid interest on the outstanding principal balance of this Note to and (unless such payment is received before noon on a Monthly Payment Date) including the Prepayment Date, together with a payment of all interest which would have accrued on the principal balance of this Note to and including the last day of the Accrual Period in which the Prepayment Date occurs, if such prepayment occurs on a date which is not the eleventh (11th) day of a calendar month (the “**Shortfall Interest Payment**”); (iii) payment of all other sums then due under this Note, the Security Instrument and the other Loan Documents and (iv) if the Prepayment Date occurs prior to the Par Date, payment of a prepayment consideration (the “**Prepayment Consideration**”) in an amount equal to the present value of a series of payments each equal to the Payment Differential (hereinafter defined) and payable on each Monthly Payment Date over the remaining original term of this Note through and including the Par Date discounted at the Reinvestment Yield (hereinafter defined) for the number of months remaining from the Prepayment Date to each such Monthly Payment Date. The term “**Reinvestment Yield**” as used herein shall be equal to the lesser of (a) the (i) yield on the U.S. Treasury issue (primary issue) with the same maturity date as the Par Date; or (ii) if no such U.S. Treasury issue is available, then the interpolated yield on the two U.S. Treasury issues (primary issues) with maturity dates (one prior to and one following) that are closest to the Par Date, or (b) the (i) yield on the U.S. Treasury

issue (primary issue) with a term equal to the remaining average life of the Debt (assuming that this Note matures on the Par Date); or (ii) if no such U.S. Treasury issue is available, then the interpolated yield on the two U.S. Treasury issues (primary issues) with terms (one prior to and one following) that are closest to the remaining average life of the Debt (assuming that this Note matures on the Par Date), with each such yield being based on the bid price for such issue as published in The Wall Street Journal on the date that is 14 days prior to the Prepayment Date set forth in the Prepayment Notice (or, if such bid price is not published on that date, the next preceding date on which such bid price is so published) and converted to a monthly compounded nominal yield. The term "**Payment Differential**" as used herein shall be equal to (x) the Applicable Interest Rate minus the Reinvestment Yield, divided by (y) 12 and multiplied by (z) the principal sum outstanding on such Prepayment Date, provided that the Payment Differential shall in no event be less than zero. In no event, however, shall Lender be required to reinvest any prepayment proceeds in U.S. Treasury obligations or otherwise. Lender shall notify Borrower of the amount, and the basis of determination, of the required Prepayment Consideration. If a Prepayment Notice is given by Borrower to Lender pursuant to this Article 5, the principal balance of this Note and the other sums required under this Article shall be due and payable on the Prepayment Date. Lender shall not be obligated to accept any prepayment of the principal balance of this Note unless it is accompanied by all sums due in connection therewith.

(b) (i) At any time from and after the Defeasance Lockout Date and provided no Event of Default exists at the time, Borrower may obtain the release of the Property from the lien of the Security Instrument and all other security interests held by Lender in connection with the Loan upon the satisfaction of the following conditions precedent:

- (1) Borrower shall have provided Lender with not less than thirty (30) days and not more than sixty (60) days prior written notice specifying the date (the "**Release Date**") on which the Defeasance Deposit (hereinafter defined) is to be made;
- (2) Borrower shall have paid to Lender all interest accrued and unpaid on the principal balance of this Note to and including the Release Date;
- (3) Borrower shall have paid to Lender all other sums due and payable under this Note, the Security Instrument and the other Loan Documents through and including the Release Date (including, but not limited to, any Monthly Payment which may be due and payable on the Release Date);
- (4) Borrower shall have paid to Lender the Defeasance Deposit (hereinafter defined);
- (5) The transactions contemplated by this Section 5(b) shall not constitute a prohibited transaction for or a contribution after the Startup Day to a "REMIC Trust" (a "**REMIC Trust**") which shall own the Loan and will not disqualify such REMIC Trust as a "real estate mortgage investment conduit" within the meaning of Section 860D of the Code, and the Loan shall continue to constitute a "qualified mortgage" within the meaning of Sections 860D and 860G(a)(3) of the Code, and Lender shall have received an opinion, in form and from a counsel acceptable to Lender, with respect to the matters described in this clause (5) provided, however, that this clause (5) shall not prevent Borrower from entering into the transactions contemplated by this Section 5(b) if the conditions in this clause (5) cannot be satisfied due solely to the fact that such transactions are occurring after the Defeasance Lockout Date but prior to the Prepayment Lockout Date; and
- (6) Borrower shall have delivered to Lender the following:
 - (A) a security agreement, in form and substance satisfactory to Lender, creating a first priority lien on the Defeasance Deposit and the Defeasance Collateral (hereinafter defined) purchased on behalf of

Borrower with the Defeasance Deposit in accordance with the provisions of this Section 5(b) (the “**Pledge Agreement**”), which Pledge Agreement shall provide, among other things, that any excess payments of principal and interest received by Lender under the Defeasance Collateral over the amount needed to make payments of principal and interest and other sums due from Borrower hereunder shall be refunded to Borrower;

- (B) a release of the Property from the lien of the Security Instrument (for execution by Lender) in a form appropriate for the jurisdiction in which the Property is located;
- (C) an officer’s certificate of Borrower certifying that the requirements set forth in this Section 5(b) have been satisfied;
- (D) a certificate by Borrower’s independent public accountant certifying that the cash flow from the Defeasance Collateral will be sufficient to timely meet all Scheduled Defeasance Payments (as hereinafter defined);
- (E) an opinion of counsel for Borrower in form satisfactory to Lender stating, among other things, that Lender will have a perfected first priority security interest in the Defeasance Deposit and the Defeasance Collateral to be purchased on behalf of Borrower;
- (F) evidence in writing from the applicable Rating Agencies (as defined in the Security Instrument) to the effect that such release will not result in a qualification, downgrade or withdrawal of any rating in effect immediately prior to such defeasance for any Securities (as defined in the Security Instrument); and
- (G) such other certificates, documents or instruments as Lender may reasonably request.

The Defeasance Deposit shall be used to purchase Defeasance Collateral which provide payments which are (A) payable on or prior to, but as close as possible to, all successive Monthly Payment Dates after the Release Date and the Maturity Date (as accelerated to the Par Date in accordance with the provisions of this paragraph) and (B) in amounts necessary to meet the scheduled payments of principal and interest due under this Note on such dates (the “**Scheduled Defeasance Payments**”). Simultaneously with the delivery of the Defeasance Deposit, the Maturity Date shall be accelerated to the Par Date. Borrower, pursuant to the Pledge Agreement or other appropriate documents, shall authorize and direct that the payments received from the Defeasance Collateral be made directly to Lender and applied to satisfy the obligations of the Borrower under this Note.

(ii) Upon compliance with the requirements of this Section 5(b), the Property shall be released from the lien of the Security Instrument and the pledged Defeasance Deposit and the Defeasance Collateral purchased therewith shall be the sole source of collateral securing this Note. In connection with such release, Lender, or its designee, shall establish or designate a successor entity (the “**Successor Borrower**”) and Borrower shall transfer and assign all obligations, rights and duties under and to this Note together with the pledged Defeasance Deposit and/or Defeasance Collateral to such Successor Borrower. Such Successor Borrower shall assume the obligations of Borrower under this Note and the Pledge Agreement and Borrower and each Guarantor and Indemnitor shall be relieved of their obligations under such Pledge Agreement, the Note, the Security Instrument and the other Loan Documents except for obligations which the Pledge Agreement and/or such Loan Documents provide shall survive the satisfaction of the Security Instrument. Borrower shall pay all costs and expenses incurred by Lender, including Lender’s attorneys’ fees and expenses and Rating Agency fees, if any, incurred in connection with this Section 5(b).

(iii) For purposes hereof, the following terms shall have the following meanings:

(iv) The term “**Defeasance Collateral**” shall mean non-callable and non-redeemable obligations issued, or fully guaranteed as to payment, by the United States of America (including, without limitation, obligations issued or held in book-entry form of the Department of the Treasury and principal-only and interest-only strips that are issued by the United States Treasury, or non-callable and non-redeemable obligations, the principal of and interest on which are unconditionally guaranteed by the United States of America, or the non-callable and non-redeemable obligations of any agency of the United States of America all of whose obligations are unconditionally guaranteed by the United States of America, which mature at least four (4) business days before the related Monthly Payment or the Maturity Date, as applicable), or such other securities as are permitted as of the Release Date by the Code with respect to REMIC Trust collateral substitutions; and

(v) The term “**Defeasance Deposit**” shall mean an amount equal to the sum of (1) the amount which will be sufficient to purchase Defeasance Collateral necessary to meet the Scheduled Defeasance Payments; and (2) any revenue, documentary stamp or intangible taxes or any other tax or charge due in connection with the transfer of this Note or otherwise required to accomplish the agreements of this Section 5(b), all fees, costs and expenses incurred or to be incurred by Lender in the purchase of such Defeasance Collateral and the assumption payments referred to above.

(vi) Following the delivery of the Defeasance Deposit to Lender, Borrower shall not have any right to prepay this Note.

(c) If a defeasance is to occur under this Article 5 and Borrower has specified in the notice delivered pursuant to Section 5(b)(i) that it intends to effectuate the defeasance in a manner which will permit the assignment of this Note and the Security Instrument to a new mortgage lender in order to save mortgage recording tax, Lender shall assign this Note and the Security Instrument, each without recourse, covenant or warranty of any nature, express or implied, to such new lender designated by Borrower provided that Borrower (i) has duly executed and caused to be delivered to such new lender a substitute note in the principal amount being defeased that shall be secured by the Defeasance Deposit pursuant to the Pledge Agreement between Borrower and such new lender (such substitute note to have the lender providing the monies necessary to acquire the Defeasance Deposit and the same term, interest rate, principal balance being defeased and all other material terms and conditions of this Note and to be in form and substance reasonably satisfactory to Lender and the Rating Agencies) which substitute note, together with the Pledge Agreement and the rights of such new lender in and to the Defeasance Deposit, shall be assigned without recourse, covenant or warranty of any nature, express or implied, by such new lender to Lender simultaneously with the assignment of this Note and the Security Instrument by Lender and to the new lender and at Lender’s request, shall be expressly assumed by the Successor Borrower and (ii) has complied with all other provisions of this Article 5 to the extent not inconsistent with this Section 5(d). In addition, any such assignment shall be conditioned on the following: (A) payment by Borrower of (1) Lender’s then customary administrative fee, not to exceed \$1,000 for processing assignments of mortgage; (2) the expenses of Lender incurred in connection therewith; (3) Lender’s reasonable attorney’s fees and expenses for the preparation, delivery and performance of such an assignment and (4) the reasonable fees and expenses of the applicable Rating Agencies incurred in connection with this Section 5(c); (B) such new lender shall materially modify this Note such that it shall be treated as a new loan for federal, state or local law, rule, regulation, order or by any other governmental authority; (C) such assignment and the activities described above do not constitute a prohibited transaction for or a contribution after the startup day to any REMIC Trust which shall own the Loan and will not disqualify such REMIC Trust as a “real estate mortgage investment conduit” within the meaning of section 860D of the Code as a result of such assignment and the defeasance and the debt evidenced by the substitute note constitutes a “Qualified Mortgage” for such REMIC Trust within the meaning of Section 860G(a)(3) of the Code, and an opinion of counsel to Borrower to that effect is delivered to Lender in a form that would be reasonably satisfactory to a prudent lender; (D) Lender shall have received evidence in writing from the applicable Rating Agencies to the effect that such assignment will not result in a qualification, downgrade or withdrawal of any rating in effect immediately prior to such assignment for any Securities; and (E) Borrower shall provide such other opinions, items, information and documents which a prudent

lender would reasonably require to effectuate such assignment. Borrower shall be responsible for all taxes, recording fees and other charges payable in connection with any such assignment. Borrower agrees that the assignment of this Note and the Security Instrument with respect to the Property to a new lender and the assignment of the substitute note, the Defeasance Deposit and the Government Securities and the Pledge Agreement by the new lender to Lender shall be accomplished by an escrow closing conducted through an escrow agent satisfactory to Lender and pursuant to an escrow agreement satisfactory to Lender in form and substance.

(d) If the event the Loan is not defeased, upon a voluntary prepayment which is permitted under Section 5(a) hereof (or payment on the Maturity Date) and the written request of Borrower, Lender shall assign this Note and the Security Instrument, each without recourse, covenant or warranty of any nature, express or implied, to a new lender designated by Borrower upon Borrower's payment in full of the Debt and all other sums payable under the Loan Documents.

(e) Simultaneously with each Default Repayment (defined herein) occurring prior to the Par Date, Borrower shall pay to Lender an amount equal to the greater of: (A) three (3%) percent of the principal amount of this Note being prepaid (the "**Default Repayment Premium**") (provided that this clause (A) shall not apply if the Default Repayment occurs after the Prepayment Lockout Date, and, in such case, the Default Repayment Premium shall equal the amount in clause (B)); and (B) the present value as of the date of the Default Repayment (the "**Default Repayment Date**") of a series of payments each equal to the Default Payment Differential (hereinafter defined) and payable on each Monthly Payment Date over the remaining original term of this Note through and including the Par Date discounted at the Default Reinvestment Yield (hereinafter defined) for the number of months remaining from the Default Repayment Date to each such Monthly Payment Date. The term "**Default Reinvestment Yield**" as used herein shall be equal to the lesser of (a) the (i) yield on the U.S. Treasury issue (primary issue) with the same maturity date as the Par Date; or (ii) if no such U.S. Treasury issue is available, then the interpolated yield on the two U.S. Treasury issues (primary issues) with maturity dates (one prior to and one following) that are closest to the Par Date; or (b) the (i) yield on the U.S. Treasury issue (primary issue) with a term equal to the remaining average life of the Debt (assuming that this Note matures on the Par Date), or (ii) if no such U.S. Treasury issue is available, then the interpolated yield on the two U.S. Treasury issues (primary issues) with terms (one prior to and one following) that are closest to the remaining average life of the Debt (assuming that this Note matures on the Par Date), with each such yield being based on the bid price for such issue as published in The Wall Street Journal on the date that is 14 days prior to the Default Repayment Date (or, if such bid price is not published on that date, the next preceding date on which such bid price is so published) and converted to a monthly compounded nominal yield. The term "**Default Payment Differential**" as used herein shall be equal to (x) the Applicable Interest Rate minus the Default Reinvestment Yield, divided by (y) 12 and multiplied by (z) the principal sum being repaid on such Default Repayment Date after application of the Monthly Payment (if any) due on the date of the Default Repayment, provided that the Payment Differential shall in no event be less than zero. In no event, however, shall Lender be required to reinvest any repayment proceeds in U.S. Treasury obligations or otherwise.

For purposes of this Note, the term "**Default Repayment**" shall mean a repayment of all or any portion of the principal amount of this Note made during the continuance of any Event of Default or after an acceleration of the Maturity Date under any circumstances, including, without limitation, a repayment occurring in connection with reinstatement of the Security Instrument provided by statute under foreclosure proceedings or exercise of a power of sale, any statutory right of redemption exercised by Borrower or any other party having a statutory right to redeem or prevent foreclosure, any sale in foreclosure or under exercise of a power of sale or otherwise.

6. SECURITY

This Note is secured by the Security Instrument and the other Loan Documents. The Security Instrument is intended to be duly recorded in the public records of the county where the Property is located. All of the terms, covenants and conditions contained in the Security Instrument and the other

7. SAVINGS CLAUSE

This Note is subject to the express condition that at no time shall Borrower be obligated or required to pay interest on the principal balance due hereunder at a rate which could subject Lender to either civil or criminal liability as a result of being in excess of the maximum interest rate which Borrower is permitted by applicable law to contract or agree to pay. If by the terms of this Note, Borrower is at any time required or obligated to pay interest on the principal balance due hereunder at a rate in excess of such maximum rate, the Applicable Interest Rate or the Default Rate, as the case may be, shall be deemed to be immediately reduced to such maximum rate and all previous payments in excess of the maximum rate shall be deemed to have been payments in reduction of principal and not on account of the interest due hereunder. All sums paid or agreed to be paid to Lender for the use, forbearance, or detention of the Debt, shall, to the extent permitted by applicable law, be amortized, prorated, allocated, and spread throughout the full stated term of the Note until payment in full so that the rate or amount of interest on account of the Debt does not exceed the maximum lawful rate of interest from time to time in effect and applicable to the Debt for so long as the Debt is outstanding.

8. LATE CHARGE

If any sum payable under this Note is not paid on the date on which it is due, regardless of whether such failure shall constitute an Event of Default, Borrower shall pay to Lender upon demand an amount equal to the lesser of five percent (5%) of the unpaid sum or the maximum amount permitted by applicable law to defray the expenses incurred by Lender in handling and processing the delinquent payment and to compensate Lender for the loss of the use of the delinquent payment and the amount shall be secured by the Security Instrument and the other Loan Documents.

9. NO ORAL CHANGE

This Note may not be modified, amended, waived, extended, changed, discharged or terminated orally or by any act or failure to act on the part of Borrower or Lender, but only by an agreement in writing signed by the party against whom enforcement of any modification, amendment, waiver, extension, change, discharge or termination is sought.

10. JOINT AND SEVERAL LIABILITY

If Borrower consists of more than one person or party, the obligations and liabilities of each person or party shall be joint and several.

11. WAIVERS

All payments required hereunder shall be made irrespective of, and without any deduction for, any setoff, defense or counterclaim. Borrower and all others who may become liable for the payment of all or any part of the Debt do hereby severally waive presentment and demand for payment, notice of dishonor, protest and notice of protest and non-payment and all other notices of any kind, other than notices specifically required by the terms of this Note, the Security Instrument and the other Loan Documents. No release of any security for the Debt or extension of time for payment of this Note or any installment hereof, and no alteration, amendment or waiver of any provision of this Note, the Security Instrument or the other Loan Documents made by agreement between Lender or any other person or party shall release, modify, amend, waive, extend, change, discharge, terminate or affect the liability of Borrower, and any other person or entity who may become liable for the payment of all or any part of the Debt, under this Note, the Security Instrument or the other Loan Documents. No notice to or demand on Borrower shall be deemed to be a waiver of the obligation of Borrower or of the right of Lender to take further action without further notice or demand as provided for in this Note, the Security Instrument or the other Loan Documents. In addition, acceptance by Lender of any payment in an amount less than the

amount then due shall be deemed an acceptance on account only, and the failure to pay the entire amount then due shall be and continue to be an Event of Default. If Borrower is a partnership, the agreements herein contained shall remain in force and applicable, notwithstanding any changes in the individuals comprising the partnership, and the term "**Borrower**," as used herein, shall include any alternate or successor partnership, but any predecessor partnership and their partners shall not thereby be released from any liability. If Borrower is a corporation or limited liability company, the agreements contained herein shall remain in full force and applicable notwithstanding any changes in the shareholders or members comprising, or the officers and directors or managers relating to, the corporation or limited liability company, and the term "Borrower" as used herein, shall include any alternative or successor corporation or limited liability company, but any predecessor corporation or limited liability company shall not be relieved of liability hereunder. (Nothing in the foregoing sentence shall be construed as a consent to, or a waiver of, any prohibition or restriction on transfers of interests in a partnership, corporation or limited liability company which may be set forth in the Security Instrument or any other Loan Document.)

12. TRANSFER

Upon the transfer of this Note, Borrower hereby waiving notice of any such transfer, Lender may deliver all the collateral mortgaged, granted, pledged or assigned pursuant to the Security Instrument and the other Loan Documents, or any part thereof, to the transferee who shall thereupon become vested with all the rights herein or under applicable law given to Lender with respect thereto, and Lender shall thereafter forever be relieved and fully discharged from any liability or responsibility in the matter; but Lender shall retain all rights hereby given to it with respect to any liabilities and the collateral not so transferred.

13. WAIVER OF TRIAL BY JURY

BORROWER HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, THE RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER IN CONTRACT, TORT OR OTHERWISE, RELATING DIRECTLY OR INDIRECTLY TO THE LOAN, THE APPLICATION FOR THE LOAN, THIS NOTE, THE SECURITY INSTRUMENT OR THE OTHER LOAN DOCUMENTS OR ANY ACTS OR OMISSIONS OF LENDER, ITS OFFICERS, EMPLOYEES, DIRECTORS OR AGENTS IN CONNECTION THEREWITH.

14. EXCULPATION

(a) Except as otherwise provided herein, in the Security Instrument or in the other Loan Documents, Lender shall not enforce the liability and obligation of Borrower to perform and observe the obligations contained in this Note or the Security Instrument by any action or proceeding wherein a money judgment shall be sought against Borrower or its general partners, except that Lender may sell the Property under any power of sale or right of non-judicial foreclosure or bring a foreclosure action, confirmation action, action for specific performance or other appropriate action or proceeding to enable Lender to enforce and realize upon this Note, the Security Instrument, the other Loan Documents, and the interest in the Property, the Rents (as defined in the Security Instrument) and any other collateral given to Lender created by this Note, the Security Instrument and the other Loan Documents; provided, however, that any judgment in any such action or proceeding shall be enforceable against Borrower (but in no event against its general partners) only to the extent of Borrower's interest in the Property, in the Rents and in any other collateral given to Lender. Lender, by accepting this Note and the Security Instrument, agrees that it shall not, except as otherwise provided in Section 10.10 of the Security Instrument, sue for, seek or demand any deficiency judgment against Borrower (or against the general partners of Borrower, without regard to the provisions of Section 10.10 of the Security Instrument) in any such action or proceeding, under or by reason of or under or in connection with this Note, the other Loan Documents or the Security Instrument. The provisions of this Article shall not, however, (i) constitute a waiver, release or impairment of any obligation evidenced or secured by this Note, the other Loan Documents or the Security Instrument; (ii) Intentionally Deleted; (iii) impair the right of Lender to name Borrower (but not

its general partners) as a party defendant in any action or suit for judicial foreclosure and sale under the Security Instrument; (iv) affect the validity or enforceability of any indemnity, guaranty, master lease or similar instrument made in connection with this Note, the Security Instrument, or the other Loan Documents; (v) impair the right of Lender to obtain the appointment of a receiver; (vi) impair the enforcement of the Assignment of Leases and Rents executed in connection herewith; (vii) impair the right of Lender to obtain a deficiency judgment or judgment on the Note against Borrower (but not its general partners) if necessary to obtain any insurance proceeds or condemnation awards to which Lender would otherwise be entitled under the Security Instrument; provided however, Lender shall only enforce such judgment against the insurance proceeds and/or condemnation awards; or (viii) impair the right of Lender to enforce the provisions of Sections 10.10, 11.2 and 11.3 of the Security Instrument.

(b) Notwithstanding the provisions of this Article 14 to the contrary, Borrower (but not the general partners of Borrower) shall be personally liable to Lender for the Losses (as defined in the Security Instrument) it incurs due (i) fraud or intentional, material misrepresentation by Borrower, SCOLP, or any of their agents, principals, officers or employees, (ii) Borrower's misapplication or misappropriation of insurance proceeds, condemnation awards, or tenant security deposits, if and to the extent Borrower or its agents have the right and ability to control the disbursement of such proceeds, awards or deposits; (ii) Rents received by Borrower after the occurrence of an Event of Default, provided that such Rents (y) are not applied towards either the Monthly Payment or the ordinary and necessary operating expenses of the Property and Borrower has provided Lender with evidence of same in a form acceptable to Lender, or (z) are paid to Lender, (iii) so long as Borrower has possession and control of the Property, Borrower's failure to pay (except to the extent that sums sufficient to pay such amounts have been deposited in escrow with Lender pursuant to the terms of the Security Instrument) Taxes or other liens with priority over Lender's lien on the Property or other liens established under the Loan Documents, to the extent funds are available from the operation of the Property for such purpose, or from escrow deposits made to Lender for such purpose (regardless of whether Lender uses such funds to pay such Taxes or other liens), (iv) damage to the Property arising from (y) the intentional misconduct or gross negligence of Borrower, SCOLP, or any of their principals, officers, agents or employees, or (z) any removal of the Property in violation of the Loan Documents, (v) Borrower's or any other Indemnitor's failure to comply with the provisions of the Environmental Indemnity (as defined in the Security Instrument) or (vi) the nonpayment of any documentary stamp tax or intangible tax due on the Assigned Note (as defined in the Security Instrument), the Assigned Mortgage (as defined in the Security Instrument), this Note or the Security Instrument.

(c) Notwithstanding the foregoing, the agreement of Lender not to pursue recourse liability as set forth in Subsection (a) above SHALL BECOME NULL AND VOID and shall be of no further force and effect (i) in the event of Borrower's default under Sections 4.2 or 8.2 of the Security Instrument, or (ii) if the Property or any part thereof shall become an asset in (1) a voluntary bankruptcy or insolvency proceeding, or (2) an involuntary bankruptcy or insolvency proceeding (A) which is commenced by any party controlling, controlled by or under common control with Borrower (which shall include, but not be limited to, any creditor or claimant acting in concert with Borrower or any of the foregoing parties) (the "Borrowing Group") or (B) in which any member of the Borrowing Group objects to a motion by Lender for relief from any stay or injunction from the foreclosure of the Security Instrument or any other remedial action permitted hereunder or under the Security Instrument or the other Loan Documents.

(d) Nothing herein shall be deemed to be a waiver of any right which Lender may have under Sections 506(a), 506(b), 1111(b) or any other provisions of the U.S. Bankruptcy Code to file a claim for the full amount of the Debt or to require that all collateral shall continue to secure all of the Debt owing to Lender in accordance with this Note, the Security Instrument and the other Loan Documents.

15. AUTHORITY

Borrower (and the undersigned representative of Borrower, if any) represents that Borrower has full power, authority and legal right to execute and deliver this Note, the Security Instrument and the other Loan Documents and that this Note, the Security Instrument and the other Loan Documents constitute valid and binding obligations of Borrower.

16. APPLICABLE LAW

This Note shall be governed, construed, applied and enforced in accordance with the laws of the state in which the Property is located and the applicable laws of the United States of America.

17. COUNSEL FEES

In the event that it should become necessary to employ counsel to collect the Debt or to protect or foreclose the security therefor, Borrower also agrees to pay all reasonable fees and expenses of Lender, including, without limitation, reasonable attorney's fees for the services of such counsel whether or not suit be brought.

18. NOTICES

All notices or other written communications hereunder shall be deemed to have been properly given (i) upon delivery, if delivered in person, (ii) one (1) Business Day (defined below) after having been deposited for overnight delivery with any reputable overnight courier service, or (iii) three (3) Business Days after having been deposited in any post office or mail depository regularly maintained by the U.S. Postal Service and sent by registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

If to Borrower: Miami Lakes Venture Associates
27777 Franklin Road, Suite 200
Southfield, Michigan 48034
Attention: Jonathan M. Colman

With a copy to: Jaffe, Raitt, Heuer & Weiss, P.C.
27777 Franklin Road, Suite 2500
Southfield, Michigan 48034
Attention: Arthur A. Weiss

If to Lender: Lehman Brothers Bank, FSB
399 Park Avenue, 8th Floor
New York, New York 10022
Attention: John Herman

With a copy to: Stroock & Stroock & Lavan LLP
180 Maiden Lane
New York, New York 10038
Attention: William Campbell, Esq.

or addressed as such party may from time to time designate by written notice to the other parties.

Either party by notice to the other may designate additional or different addresses for subsequent notices or communications.

“**Business Day**” shall mean a day upon which commercial banks are not authorized or required by law to close in New York, New York.

19. MISCELLANEOUS

(a) Wherever pursuant to this Note (i) Lender exercises any right given to it to approve or disapprove, (ii) any arrangement or term is to be satisfactory to Lender, or (iii) any other decision or determination is to be made by Lender, the decision of Lender to approve or disapprove, all decisions that arrangements or terms are satisfactory or not satisfactory and all other decisions and determinations made by Lender, shall be in the sole and absolute discretion of Lender and shall be final and conclusive, except as may be otherwise expressly and specifically provided herein.

(b) Whenever used, the singular shall include the plural, the plural shall include the singular, and the words "Lender" and "Borrower" shall include their respective successors, assigns, heirs, executors and administrators.

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IN WITNESS WHEREOF, Borrower has duly executed this Note as of the day and year first above written.

MIAMI LAKES VENTURE ASSOCIATES, a Florida
general partnership

By: Miami Lakes GP One LLC, a Michigan limited liability company, its general partner

By: Miami Lakes QRS, Inc., a Michigan corporation, its managing member

By: _____
Jonathan M. Colman
Its: Executive Vice President

By: Miami Lakes GP Two LLC, a Michigan limited liability company, its general partner

By: Miami Lakes QRS, Inc., a Michigan corporation, its managing member

By: _____
Jonathan M. Colman
Its: Executive Vice President

STATE OF _____)
)ss:
COUNTY OF _____)

The foregoing instrument was acknowledged before me this ____ day of November, 2006 by Jonathan M. Colman, as Executive Vice President of Miami Lakes QRS, Inc., a Michigan corporation, the managing member of Miami Lakes GP One LLC, a Michigan limited liability company, a general partner of Miami Lakes Venture Associates, a Florida general partnership, on behalf of said corporation, limited liability company, and general partnership. He/she is personally known to me or has produced a _____ as identification.

Print Name: _____
Title: _____
Commission No. _____ (if any)

My Commission Expires: _____

STATE OF _____)
)ss:
COUNTY OF _____)

The foregoing instrument was acknowledged before me this ____ day of November, 2006 by Jonathan M. Colman, as Executive Vice President of Miami Lakes QRS, Inc., a Michigan corporation, the managing member of Miami Lakes GP Two LLC, a Michigan limited liability company, a general partner of Miami Lakes Venture Associates, a Florida general partnership, on behalf of said corporation, limited liability company, and general partnership. He/she is personally known to me or has produced a _____ as identification.

Print Name: _____
Title: _____
Commission No. _____ (if any)

My Commission Expires: _____

MIAMI LAKES VENTURE ASSOCIATES, as mortgagor
(Borrower)

To

LEHMAN BROTHERS BANK, FSB, as mortgagee
(Lender)

**NOTICE OF FUTURE ADVANCE, MORTGAGE MODIFICATION, EXTENSION
AND SPREADER AGREEMENT AND SECURITY AGREEMENT**

Dated: As of November 15, 2006

Location: Miami, Florida

County: Miami-Dade

PREPARED BY AND UPON RECORDATION RETURN TO:

Stroock & Stroock & Lavan LLP
3100 Wachovia Financial Center
200 South Biscayne Boulevard
Miami, Florida 33131-5323
Attention: Eugene Balshem

NOTE TO RECORDER: THIS INSTRUMENT SECURES A FUTURE ADVANCE, RENEWAL AND CONSOLIDATION PROMISSORY NOTE, DATED AS OF EVEN DATE HEREWITH, MADE BY MIAMI LAKES VENTURE ASSOCIATES, A FLORIDA GENERAL PARTNERSHIP ("BORROWER"), IN FAVOR OF LEHMAN BROTHERS BANK, FSB, A FEDERAL STOCK SAVINGS BANK ("LENDER"), IN THE ORIGINAL PRINCIPAL AMOUNT OF \$54,000,000.00 (THE "NOTE"). THE NOTE EVIDENCES (A) THE RENEWAL OF PRINCIPAL INDEBTEDNESS IN THE AMOUNT OF \$16,611,051.78 OUTSTANDING UNDER THAT CERTAIN CONSOLIDATED RENEWAL PROMISSORY NOTE, DATED SEPTEMBER 4, 1997, IN THE ORIGINAL PRINCIPAL AMOUNT OF \$19,000,000.00, MADE BY BORROWER IN FAVOR OF LEHMAN BROTHERS HOLDINGS INC. (D/B/A LEHMAN CAPITAL, A DIVISION OF LEHMAN BROTHERS HOLDINGS INC.), A DELAWARE CORPORATION ("LEHMAN HOLDINGS"), AS FURTHER ASSIGNED TO LASALLE NATIONAL BANK, AS TRUSTEE FOR THE COMMERCIAL MORTGAGE PASS-THROUGH CERTIFICATES SERIES 1997-LL1 ("LASALLE"), AS ASSIGNED TO LENDER (THE "THIRD CONSOLIDATED NOTE"), (B) A FUTURE ADVANCE IN THE ORIGINAL PRINCIPAL AMOUNT OF \$37,388,948.22 MADE BY LENDER TO BORROWER ON EVEN DATE HEREWITH (THE "CURRENT FUTURE ADVANCE") AND (C) THE CONSOLIDATION OF THE INDEBTEDNESS EVIDENCED BY THE THIRD CONSOLIDATED NOTE AND THE CURRENT FUTURE ADVANCE WITHOUT ENLARGEMENT OF THE AGGREGATE OUTSTANDING PRINCIPAL BALANCE THEREOF. THE THIRD CONSOLIDATED NOTE RENEWED AND CONSOLIDATED THE INDEBTEDNESS EVIDENCED BY THAT CERTAIN (A) AMENDED AND RESTATED RENEWAL NOTE, DATED MAY 1, 1996, IN THE ORIGINAL PRINCIPAL AMOUNT OF \$14,702,265.60 MADE BY BORROWER IN FAVOR OF LEHMAN HOLDINGS (THE "LEHMAN RENEWAL NOTE") AND (B) FUTURE ADVANCE PROMISSORY NOTE, DATED SEPTEMBER 4, 1997, IN THE ORIGINAL PRINCIPAL AMOUNT OF \$4,297,734.40, MADE BY BORROWER IN FAVOR OF LEHMAN HOLDINGS (THE "THIRD FUTURE ADVANCE NOTE") WITHOUT ENLARGEMENT OF THE AGGREGATE OUTSTANDING PRINCIPAL BALANCE THEREOF. THE LEHMAN RENEWAL NOTE RENEWED INDEBTEDNESS EVIDENCED BY THAT CERTAIN RENEWAL PROMISSORY NOTE, DATED JULY 21, 1993, IN THE ORIGINAL PRINCIPAL AMOUNT OF \$15,200,000, MADE BY BORROWER IN FAVOR OF AID ASSOCIATION FOR LUTHERANS, A WISCONSIN CORPORATION ("AAFL") (THE "SECOND CONSOLIDATED NOTE"), AS ASSIGNED BY AAFL TO SUN COMMUNITIES OPERATING LIMITED PARTNERSHIP, A MICHIGAN LIMITED PARTNERSHIP ("SUN"), AND FURTHER ASSIGNED BY SUN TO LEHMAN HOLDINGS. THE SECOND CONSOLIDATED NOTE RENEWED AND CONSOLIDATED INDEBTEDNESS EVIDENCED BY (A) THAT CERTAIN CONSOLIDATING NOTE AGREEMENT MADE BY BORROWER IN FAVOR OF AAFL, DATED SEPTEMBER 28, 1989, IN THE ORIGINAL PRINCIPAL AMOUNT OF \$14,000,000.00 (THE "FIRST CONSOLIDATED NOTE") AND (B) A FUTURE ADVANCE PROMISSORY NOTE, DATED JULY 21, 1993, IN THE ORIGINAL PRINCIPAL AMOUNT OF \$1,553,159.48, MADE BY BORROWER IN FAVOR OF AAFL WITHOUT ENLARGEMENT OF THE AGGREGATE OUTSTANDING PRINCIPAL BALANCE THEREOF (THE "SECOND FUTURE ADVANCE NOTE"). THE FIRST CONSOLIDATED NOTE RENEWED AND CONSOLIDATED INDEBTEDNESS EVIDENCED BY (A) THAT CERTAIN MORTGAGE NOTE, DATED SEPTEMBER 28, 1989, IN THE ORIGINAL PRINCIPAL AMOUNT OF \$2,117,807.37, MADE BY BORROWER IN FAVOR OF AAFL (THE "SECOND MORTGAGE NOTE"), (B) THAT CERTAIN PROMISSORY NOTE, DATED JUNE 25, 1987, IN THE ORIGINAL PRINCIPAL AMOUNT OF \$10,000,000.00, MADE BY BORROWER IN FAVOR OF GIBRALTAR SAVINGS, A CALIFORNIA CORPORATION ("GIBRALTAR"), AS ASSIGNED BY GIBRALTAR TO AAFL (THE "FIRST RENEWAL NOTE") AND (C) THAT CERTAIN FUTURE ADVANCE SECURED PROMISSORY NOTE, DATED NOVEMBER 16, 1987, IN THE ORIGINAL PRINCIPAL AMOUNT OF \$2,000,000.00 GIVEN BY BORROWER IN FAVOR OF GIBRALTAR, AS ASSIGNED BY GIBRALTAR TO AAFL (THE "FIRST FUTURE ADVANCE NOTE") WITHOUT ENLARGEMENT OF THE AGGREGATE OUTSTANDING PRINCIPAL

BALANCE THEREOF. THE FIRST RENEWAL NOTE RENEWED AND RESTATED THE INDEBTEDNESS EVIDENCED BY THAT CERTAIN PROMISSORY NOTE DATED MAY 20, 1987 IN THE ORIGINAL PRINCIPAL AMOUNT OF \$10,000,000.00, MADE BY BORROWER IN FAVOR OF BARNETT BANK OF SOUTH FLORIDA, N.A., NATIONAL BANKING ASSOCIATION ("BARNETT"), AS ASSIGNED BY BARNETT TO GIBRALTAR (THE "ORIGINAL NOTE").

ALL DOCUMENTARY STAMP TAXES AND INTANGIBLE TAXES DUE IN CONNECTION WITH THE ORIGINAL NOTE WERE PAID UPON THE RECORDATION OF THAT CERTAIN MORTGAGE AND SECURITY AGREEMENT EXECUTED BY BORROWER IN FAVOR OF BARNETT, DATED MAY 20, 1987, AND RECORDED IN OFFICIAL RECORDS BOOK 13288, AT PAGE 4013 OF THE PUBLIC RECORDS OF MIAMI-DADE COUNTY, FLORIDA, (THE "ORIGINAL MORTGAGE").

THE ORIGINAL MORTGAGE WAS ASSIGNED TO GIBRALTAR PURSUANT TO THAT CERTAIN ASSIGNMENT OF MORTGAGE AND SECURITY AGREEMENT, DATED JUNE 25, 1987, AND RECORDED IN OFFICIAL RECORDS BOOK 13328, AT PAGE 2317, OF THE PUBLIC RECORDS OF MIAMI-DADE COUNTY, FLORIDA; WAS MODIFIED PURSUANT TO THAT CERTAIN AMENDED AND RESTATED MORTGAGE, ASSIGNMENT OF RENTS AND SECURITY AGREEMENT BETWEEN BORROWER AND GIBRALTAR, DATED JUNE 25, 1987, AND RECORDED IN OFFICIAL RECORDS BOOK 13328, AT PAGE 2321, OF THE PUBLIC RECORDS OF MIAMI-DADE COUNTY, FLORIDA, (THE "FIRST MODIFICATION"); WAS FURTHER MODIFIED PURSUANT TO THAT CERTAIN RECEIPT OF ADVANCE UNDER MORTGAGE PROVIDING FOR FUTURE ADVANCES BETWEEN BORROWER AND GIBRALTAR, DATED NOVEMBER 16, 1987, AND RECORDED IN OFFICIAL RECORDS BOOK 13488, AT PAGE 1965, OF THE PUBLIC RECORDS OF MIAMI-DADE COUNTY, FLORIDA, (THE "SECOND MODIFICATION"), AS ASSIGNED TO AAFL PURSUANT TO THAT CERTAIN ASSIGNMENT OF LOAN DOCUMENTS, DATED SEPTEMBER 27, 1989, AND RECORDED IN OFFICIAL RECORDS BOOK 14274, AT PAGE 32 OF THE PUBLIC RECORDS OF MIAMI-DADE COUNTY, FLORIDA.

ALL DOCUMENTARY STAMP TAXES AND INTANGIBLE TAXES DUE IN CONNECTION WITH THE SECOND MORTGAGE NOTE WERE PAID UPON THE RECORDATION OF THAT CERTAIN MORTGAGE DEED GIVEN BY BORROWER TO AAFL, DATED SEPTEMBER 28, 1989, AND RECORDED IN OFFICIAL RECORDS BOOK 14274, AT PAGE 35, OF THE PUBLIC RECORDS OF MIAMI-DADE COUNTY, FLORIDA.

THE FIRST RENEWAL NOTE, THE FIRST FUTURE ADVANCE NOTE AND THE SECOND MORTGAGE NOTE WERE CONSOLIDATED PURSUANT TO THAT CERTAIN CONSOLIDATION, MODIFICATION AND EXTENSION AGREEMENT BETWEEN BORROWER AND AAFL, DATED SEPTEMBER 28, 1989, AND RECORDED IN OFFICIAL RECORDS BOOK 14274, AT PAGE 45, OF THE PUBLIC RECORDS OF MIAMI-DADE COUNTY, FLORIDA (THE "THIRD MODIFICATION"), AND FURTHER MODIFIED BY THAT CERTAIN RENEWAL MORTGAGE AND SECURITY AGREEMENT BETWEEN BORROWER AND AAFL, DATED JULY 21, 1993 AND RECORDED IN OFFICIAL RECORDS BOOK 15991, AT PAGE 0221, OF THE PUBLIC RECORDS OF MIAMI-DADE COUNTY, FLORIDA (THE "FOURTH MODIFICATION"), AND FURTHER ASSIGNED TO SUN PURSUANT TO THAT CERTAIN ASSIGNMENT OF LOAN INSTRUMENTS, DATED APRIL 19, 1996, AND RECORDED IN OFFICIAL RECORDS BOOK 17187, AT PAGE 1522, OF THE PUBLIC RECORDS OF MIAMI-DADE COUNTY, FLORIDA, AND FURTHER ASSIGNED TO LEHMAN HOLDINGS, PURSUANT TO THAT CERTAIN ASSIGNMENT OF LOAN INSTRUMENTS, DATED MAY 1, 1996, AND RECORDED IN OFFICIAL RECORDS BOOK 17187, AT PAGE 1528, OF THE PUBLIC RECORDS OF MIAMI-DADE COUNTY, FLORIDA, AND FURTHER MODIFIED BY THAT CERTAIN AMENDED AND RESTATED RENEWAL MORTGAGE AND SECURITY AGREEMENT BETWEEN BORROWER AND LEHMAN HOLDINGS, DATED MAY 1, 1996, AND RECORDED IN OFFICIAL RECORDS BOOK 17187, AT PAGE 1534 OF THE PUBLIC RECORDS OF MIAMI-DADE COUNTY, FLORIDA (THE "FIFTH MODIFICATION"), AND FURTHER MODIFIED BY THAT CERTAIN NOTICE OF

FUTURE ADVANCE, DATED SEPTEMBER 4, 1997, AND RECORDED IN OFFICIAL RECORDS BOOK 17780, AT PAGE 2289 OF THE PUBLIC RECORDS OF MIAMI-DADE COUNTY, FLORIDA (THE "SIXTH MODIFICATION"), AND FURTHER MODIFIED BY THAT CERTAIN CONSOLIDATED RENEWAL MORTGAGE AND SECURITY AGREEMENT BETWEEN BORROWER AND LEHMAN HOLDINGS, DATED SEPTEMBER 4, 1997, AND RECORDED IN OFFICIAL RECORDS BOOK 17780, AT PAGE 2294 OF THE PUBLIC RECORDS OF MIAMI-DADE COUNTY, FLORIDA (THE "SEVENTH MODIFICATION"), AND FURTHER MODIFIED BY THAT CERTAIN AMENDMENT TO CONSOLIDATED RENEWAL MORTGAGE AND SECURITY AGREEMENT BETWEEN BORROWER AND LEHMAN HOLDINGS, DATED AS OF SEPTEMBER 4, 1997, AND RECORDED IN OFFICIAL RECORDS BOOK 17833, AT PAGE 0108 OF THE PUBLIC RECORDS OF MIAMI-DADE COUNTY, FLORIDA (THE "EIGHTH MODIFICATION"), AND ASSIGNED BY LEHMAN HOLDINGS TO LASALLE PURSUANT TO THAT CERTAIN ASSIGNMENT OF CONSOLIDATED RENEWAL MORTGAGE AND SECURITY AGREEMENT, DATED EFFECTIVE AS OF OCTOBER 14, 1997, AND RECORDED IN OFFICIAL RECORDS BOOK 24079, AT PAGE 2982, OF THE PUBLIC RECORDS OF MIAMI-DADE COUNTY, FLORIDA.

ALL DOCUMENTARY STAMP TAXES AND INTANGIBLE TAXES DUE IN CONNECTION WITH THE FIRST FUTURE ADVANCE NOTE WERE PAID UPON THE RECORDATION OF THE SECOND MODIFICATION.

ALL DOCUMENTARY STAMP TAXES AND INTANGIBLE TAXES DUE IN CONNECTION WITH THE SECOND FUTURE ADVANCE NOTE WERE PAID UPON THE RECORDATION OF THE FOURTH MODIFICATION.

ALL DOCUMENTARY STAMP TAXES AND INTANGIBLE TAXES DUE IN CONNECTION WITH THE THIRD FUTURE ADVANCE NOTE WERE PAID UPON THE RECORDATION OF THE SIXTH MODIFICATION.

THE ORIGINAL MORTGAGE, AS MODIFIED BY THE FIRST MODIFICATION, THE SECOND MODIFICATION, THE THIRD MODIFICATION, THE FOURTH MODIFICATION, THE FIFTH MODIFICATION, THE SIXTH MODIFICATION, THE SEVENTH MODIFICATION, AND THE EIGHTH MODIFICATION, HAVE BEEN ASSIGNED TO LENDER BY VIRTUE OF THAT CERTAIN ASSIGNMENT OF CONSOLIDATED RENEWAL MORTGAGE AND SECURITY AGREEMENT MADE BY LASALLE IN FAVOR OF LENDER AS OF EVEN DATE HERewith AND RECORDED IMMEDIATELY PRIOR TO THIS INSTRUMENT.

ADDITIONAL DOCUMENTARY STAMPS IN THE AMOUNT OF \$130,861.50 AND INTANGIBLE TAX IN THE AMOUNT OF \$74,777.90 BASED ON THE FUTURE ADVANCE HEREUNDER IN THE AMOUNT OF \$37,388,948.22 ARE BEING PAID CONCURRENTLY WITH THE RECORDATION OF THIS INSTRUMENT.

THIS NOTICE OF FUTURE ADVANCE, MORTGAGE MODIFICATION, EXTENSION AND SPREADER AGREEMENT AND SECURITY AGREEMENT (this "Security Instrument") is made as of the 15th day of November, 2006, by **MIAMI LAKES VENTURE ASSOCIATES**, a Florida general partnership, having its principal place of business at 27777 Franklin Road, Suite 200, Southfield, Michigan 48034, as mortgagor ("Borrower") to **LEHMAN BROTHERS BANK, FSB**, a federal stock savings bank, having an address at 1000 West Street, Suite 200, Wilmington, Delaware 19801, as mortgagee ("Lender").

RECITALS:

A. Borrower is the owner of the fee simple estate in the Land (defined in Section 1.3) as more particularly described in Exhibit A hereto.

B. Lender has acquired by assignment that certain mortgage listed on Exhibit D hereto (the "Assigned Mortgage") and the note secured thereby (the "Assigned Note"), on which Assigned Mortgage and Assigned Note there is currently outstanding an aggregate principal amount of THIRTY-SEVEN MILLION THREE HUNDRED EIGHTY-EIGHT NINE HUNDRED FORTY-EIGHT AND 22/100 DOLLARS (\$37,388,948.22).

C. Pursuant to the terms of the Assigned Mortgage and this Security Instrument, Lender has on even date herewith made a future advance loan to Borrower in the amount of SIXTEEN MILLION SIX HUNDRED ELEVEN THOUSAND FIFTY-ONE AND 78/100 DOLLARS (\$16,611,051.78) (the "Future Advance").

D. Borrower has on even date herewith executed that certain Future Advance, Renewal and Consolidation Promissory Note in the principal sum of THIRTY-SEVEN MILLION THREE HUNDRED EIGHTY-EIGHT NINE HUNDRED FORTY-EIGHT AND 22/100 DOLLARS (\$37,388,948.22) in lawful money of the United States of America (said Future Advance, Renewal and Consolidation Promissory Note together with all extensions, renewals, modifications, substitutions and amendments thereof shall collectively be hereinafter referred to as the "Note"). The Note evidences the renewal and consolidation of the principal indebtedness outstanding under the Assigned Note and the Future Advance. The maturity date of the Note is December 11, 2016.

E. Lender and Borrower have agreed to modify, restate and supersede in their entirety the terms of the Assigned Mortgage in the manner hereinafter appearing.

NOW, THEREFORE, in pursuance of said agreement and consideration of the sum of Ten Dollars and other valuable consideration, each to the other in hand paid, receipt of which is hereby acknowledged, the parties hereto mutually covenant and agree as follows:

1 - RESTATEMENT OF MORTGAGE; GRANTS OF SECURITY

1.1 RESTATEMENT OF MORTGAGE. The Assigned Mortgage is hereby amended to secure the Future Advance which constitutes a future advance pursuant to the Assigned Mortgage, as modified hereby. The terms of the Assigned Mortgage are hereby modified, restated and superseded in their entirety to contain the terms hereinafter set forth. The lien of the Assigned Mortgage is hereby spread to encumber all of the Property (as defined in Section 1.3 hereof) not previously encumbered by the Assigned Mortgage.

1.2 SECURITY INSTRUMENT. The Assigned Mortgage as modified, restated and superseded by this Security Instrument is hereinafter referred to and described as this "Security Instrument." All references to the "Note" contained in this Security Instrument shall mean the Note as described in Recital D above. Borrower acknowledges receipt of the Future Advance. The Future Advance is hereby added to the outstanding principal amount of the Assigned Note of \$37,388,948.22 (the "Previous Balance"), resulting in a current outstanding principal balance under the Note of \$54,000,000.00 (the "Current Balance"). Borrower hereby certifies to Lender that the Current Balance is currently due and payable to Lender in accordance with the terms of the Note without offset, defense or counterclaim of any kind. Borrower hereby represents and warrants that Borrower has no

claims or defenses against Lender that could give rise to any defense, offset or counterclaim in connection with the enforcement of the Loan Documents (as defined in Section 2.1 below) or against Lender.

1.3 **GRANTS OF SECURITY.** In consideration of the premises, and to secure the full repayment and performance of the Obligations (as defined in Section 2.1 below), BORROWER DOES HEREBY IRREVOCABLY MORTGAGE, GRANT, BARGAIN, SELL, PLEDGE, ASSIGN, WARRANT, TRANSFER AND CONVEY TO LENDER, AND GRANT A SECURITY INTEREST TO LENDER IN, the following property, rights, interests and estates now owned, or hereafter acquired by Borrower (collectively, the "Property"):

(a) **PROPERTY MORTGAGED.** Borrower does hereby irrevocably mortgage, grant, bargain, sell, pledge, assign, warrant, transfer and convey to Lender, and grant a security interest to Lender in, the following property, rights, interests and estates to the extent the same are now owned, or hereafter acquired by Borrower (collectively, the "Property"): (a) the real property described in Exhibit A attached hereto and made a part hereof (the "Land"); (b) all additional lands, estates and development rights hereafter acquired by Borrower for use in connection with the Land and the development of the Land and all additional lands and estates therein which may, from time to time, by supplemental mortgage or otherwise be expressly made subject to the lien of this Security Instrument; (c) the buildings, structures, fixtures, additions, enlargements, extensions, modifications, repairs, replacements and improvements now or hereafter erected or located on the Land, but excluding the manufactured homes located thereon (the "Improvements"); (d) all easements, rights-of-way or use, rights, strips and gores of land, streets, ways, alleys, passages, sewer rights, water, water courses, water rights and powers, air rights and development rights, and all estates, rights, titles, interests, privileges, liberties, servitudes, tenements, hereditaments and appurtenances of any nature whatsoever, in any way now or hereafter belonging, relating or pertaining to the Land and the Improvements and the reversion and reversions, remainder and remainders, and all land lying in the bed of any street, road or avenue, opened or proposed, in front of or adjoining the Land, to the center line thereof and all the estates, rights, titles, interests, dower and rights of dower, curtesy and rights of curtesy, property, possession, claim and demand whatsoever, both at law and in equity, of Borrower of, in and to the Land and the Improvements and every part and parcel thereof, with the appurtenances thereto; (e) all furnishings, machinery, equipment, fixtures (including, but not limited to, all heating, air conditioning, plumbing, lighting, communications and elevator fixtures) and other property of every kind and nature whatsoever owned by Borrower, or in which Borrower has or shall have an interest, now or hereafter located upon the Land and the Improvements, or appurtenant thereto, and usable in connection with the present or future operation and occupancy of the Land and the Improvements and all building equipment, materials and supplies of any nature whatsoever owned by Borrower, or in which Borrower has or shall have an interest, now or hereafter located upon the Land and the Improvements, or appurtenant thereto, or usable in connection with the present or future operation and occupancy of the Land and the Improvements (collectively, the "Personal Property"), and the right, title and interest of Borrower in and to any of the Personal Property which may be subject to any security interests, as defined in the Uniform Commercial Code, as adopted and enacted by the state or states where any of the Property is located (the "Uniform Commercial Code"), superior in lien to the lien of this Security Instrument and all proceeds and products of the above; (f) all leases and other agreements affecting the use, enjoyment or occupancy of the Land and the Improvements heretofore or hereafter entered into, whether before or after the filing by or against Borrower of any petition for relief under 11 U.S.C. § 101 et seq., as the same may be amended from time to time (the "Bankruptcy Code") (the "Leases") and all right, title and interest of Borrower, its successors and assigns therein and thereunder, including, without limitation, cash or securities deposited thereunder to secure the performance by the lessees of their obligations thereunder and all rents, additional rents, revenues (including, but not limited to, any payments made by tenants under the Leases in connection with the termination of any Lease), issues and profits (including all oil and gas or other mineral royalties and bonuses) from the Land and the Improvements whether paid or accruing before or after the filing by or against Borrower of any petition for relief under the Bankruptcy Code (the "Rents") and all proceeds from the sale or other disposition of the Leases and the right to receive and apply the Rents to the payment of the Debt (as hereinafter defined); (g) any and all lease guaranties, letters of credit and any other credit support (collectively, the "Lease Guaranties") given by any guarantor in connection with any of the Leases (individually, a "Lease Guarantor" and collectively, the "Lease Guarantors"); (h) all rights, powers, privileges, options and other benefits of Borrower as lessor under

the Leases and beneficiary under all Lease Guaranties; (i) all awards or payments, including interest thereon, which may heretofore and hereafter be made with respect to the Property, whether from the exercise of the right of eminent domain (including but not limited to any transfer made in lieu of or in anticipation of the exercise of the right), or for a change of grade, or for any other injury to or decrease in the value of the Property; (j) all proceeds of and any unearned premiums on any insurance policies covering the Property, including, without limitation, the right to receive and apply the proceeds of any insurance, judgments, or settlements made in lieu thereof, for damage to the Property; (k) all refunds, rebates or credits in connection with a reduction in real estate taxes and assessments charged against the Property as a result of tax certiorari or any applications or proceedings for reduction; (l) all proceeds of the conversion, voluntary or involuntary, of any of the foregoing including, without limitation, proceeds of insurance and condemnation awards, into cash or liquidation claims; (m) the right, in the name and on behalf of Borrower, to appear in and defend any action or proceeding brought with respect to the Property and to commence any action or proceeding to protect the interest of Lender in the Property; (n) to the extent assignment thereof is legally permissible, all agreements, contracts, certificates, instruments, franchises, permits, licenses, plans, specifications and other documents, now or hereafter entered into, and all rights therein and thereto, respecting or pertaining to the use, occupation, construction, management or operation of the Land and any part thereof and any Improvements or respecting any business or activity conducted on the Land and any part thereof and all right, title and interest of Borrower therein and thereunder, including, without limitation, the right, upon the happening of any default hereunder, to receive and collect any sums payable to Borrower thereunder; (o) all tradenames, trademarks, servicemarks, logos, copyrights, goodwill, books and records and all other general intangibles relating to or used in connection with the operation of the Property; and (p) any and all other rights of Borrower in and to the items set forth in Subsections (a) through (o) above.

(b) ASSIGNMENT OF RENTS. Borrower hereby absolutely and unconditionally assigns to Lender Borrower's right, title and interest in and to all current and future Leases and Rents; it being intended by Borrower that this assignment constitutes a present, absolute assignment and not an assignment for additional security only. Nevertheless, subject to the terms of this Section 1.2 and Section 3.6, Lender grants to Borrower a revocable license to collect and receive the Rents, which license shall be automatically revoked upon the occurrence of an Event of Default (as hereinafter defined). Borrower shall hold the Rents, or a portion thereof sufficient to discharge all current sums due on the Debt, for use in the payment of such sums.

(c) SECURITY AGREEMENT. This Security Instrument is both a real property mortgage and a "security agreement" within the meaning of the Uniform Commercial Code. The Property includes both real and personal property and all other rights and interests, whether tangible or intangible in nature, of Borrower in the Property. By executing and delivering this Security Instrument, Borrower hereby grants to Lender, as security for the Obligations, a security interest in the Property to the full extent that the Property may be subject to the Uniform Commercial Code.

(d) PLEDGE OF MONIES HELD. Borrower hereby pledges to Lender any and all monies now or hereafter held by Lender, including, without limitation, any sums deposited in the Escrow Fund (as defined in Section 3.4), the Deferred Maintenance Deposit (as defined on Exhibit B attached hereto and made a part hereof), the Reserve (as defined on Exhibit B), the Property Account or any Lender Collateral Account (as such terms are defined in that certain Cash Management Agreement of even date herewith between Borrower and Lender (the "Cash Management Agreement")), Net Proceeds (as defined in Section 4.3(b)), and condemnation awards or payments described in Section 3.5 (collectively, "Deposits"), as additional security for the Obligations until expended or applied as provided in this Security Instrument.

CONDITIONS TO GRANT

TO HAVE AND TO HOLD the above granted and described Property unto and to the use and benefit of Lender, and the successors and assigns of Lender, forever;

PROVIDED, HOWEVER, these presents are upon the express condition that, if Borrower shall well and truly pay to Lender the Debt at the time and in the manner provided in the Note and this Security Instrument, shall well and truly perform the Other Obligations (as defined in Section 2.1 hereof) as set forth in this Security Instrument and shall well and truly abide by and comply in all material respects with each and every covenant and condition set forth herein and in the Note, these presents and the estate hereby granted shall cease, terminate and be void.

2 - DEBT AND OBLIGATIONS SECURED

2.1 DEBT AND OBLIGATIONS SECURED. This Security Instrument and the grants, assignments and transfers made in Article 1 are given for the purpose of securing the payment of the Debt and the performance of the Other Obligations, in such order of priority as Lender may determine in its sole discretion. For purposes hereof, the term "Debt" shall mean the aggregate of the indebtedness evidenced by the Note in lawful money of the United States of America, interest, default interest, late charges, prepayment premiums and other sums, as provided in the Note, this Security Instrument or the other Loan Documents (defined below), all other moneys agreed or provided to be paid by Borrower in the Note, this Security Instrument or the other Loan Documents and all sums advanced pursuant to this Security Instrument to protect and preserve the Property and the lien and the security interest created hereby. For purposes hereof, the term "Other Obligations" shall mean the obligations of Borrower (other than the obligation to repay the Debt) contained in this Security Instrument, the Note and the other Loan Documents (as hereinafter defined). For purposes hereof, the term "Loan Documents" shall mean the Note, this Security Instrument, the Cash Management Agreement and any other documents or instruments which now or shall hereafter wholly or partially secure or guarantee payment of the Note or which have otherwise been executed or are hereafter executed by Borrower and/or any other person or entity in connection with the loan (the "Loan") evidenced by the Note and any renewal, extension, amendment, modification, consolidation, change of, or substitution or replacement for, all or any part thereof. Borrower's obligations for the payment of the Debt and the performance of the Other Obligations shall be referred to collectively below as the "Obligations." All the covenants, conditions and agreements contained in the Note and the other Loan Documents are hereby made a part of this Security Instrument to the same extent and with the same force as if fully set forth herein. Anything to the contrary herein or in any other Loan Document notwithstanding, the obligations of any person (hereinafter, a "Guarantor" or "Indemnitor") under any separate guaranty or indemnity accepted by Lender, including but not limited to any guaranty of recourse obligations given to Lender as of even date herewith, shall not be secured by this Security Instrument, any separate assignment of leases or assignment of rents, or any other lien encumbering the Property; provided however that the obligations of Borrower under the Environmental Indemnity Agreement (as hereinafter defined) and under any separate indemnity of Borrower shall be so secured, subject to the rights of Lender to proceed on an unsecured basis thereunder pursuant to applicable law.

3 - BORROWER COVENANTS

Borrower covenants and agrees that:

3.1 PAYMENT OF DEBT. Borrower will pay the Debt at the time and in the manner provided in the Note, this Security Instrument and the other Loan Documents.

3.2 INSURANCE.

(a) Borrower shall obtain and maintain, or cause to be maintained, insurance for Borrower and the Property providing at least the coverages set forth herein:

(i) property insurance (written on the Special cause of Loss form or its equivalent) on the Improvements and the Personal Property, in each case (A) in an amount equal to 100% of the actual

replacement value (exclusive of costs of excavations, foundations, underground utilities and footings) with a waiver of depreciation; (B) containing either an agreed amount endorsement or a waiver of all co-insurance provisions; and (C) providing for a deductible of not greater than \$50,000, or five percent (5%) of the insured value in the case of windstorm. If any portion of the Improvements is currently or at any time in the future located in a federally designated "special flood hazard area", Borrower shall obtain flood hazard insurance in such an amount as Lender shall require, but in no event less than the maximum amount of such insurance available under the National Flood Insurance Act of 1968, the Flood Disaster Protection Act of 1973 or the National Flood Insurance Reform Act of 1994, as each may be amended. In addition, in the event the Property is located in the State of California or in a "seismic zone" 3 or 4 (as defined in the Uniform Building Code published by the International Conference of Building Officials), Borrower shall obtain earthquake insurance in amounts and in form and substance satisfactory to Lender;

(ii) commercial general liability insurance against claims for personal injury, bodily injury, death or property damage occurring upon, in or about the Property, such insurance (A) to be on the "occurrence" form with a combined single limit (including "umbrella" coverage in place) of not less than (1) \$3,000,000 and a general aggregate limit of not less than \$4,000,000; or (2) if any of the Improvements contain elevators, a combined single limit of not less than \$5,000,000 and a general aggregate limit of \$6,000,000 and (B) to cover at least the following hazards: (1) premises and operations; (2) products and completed operations on an "if any" basis; (3) independent contractors; and (4) blanket contractual liability for all written and oral contracts, to the extent the same is available;

(iii) loss of rents insurance (A) with loss payable to Lender; (B) covering all risks required to be covered by the insurance provided for in Subsection 3.2(a)(i); and (C) on an agreed value actual loss sustained basis in an amount equal to 100% of the projected gross income from the Property for a period of twelve (12) months. The amount of such business income insurance shall be determined prior to the date hereof and at least once each year thereafter based on Borrower's reasonable estimate of the gross income from the Property for the succeeding twelve (12) month period. From and after the occurrence of an Event of Default, all insurance proceeds payable to Lender pursuant to this Subsection shall be held by Lender and shall be applied to the obligations secured hereunder from time to time due and payable hereunder and under the Note; provided, however, that nothing herein contained shall be deemed to relieve Borrower of its obligations to pay the obligations secured hereunder on the respective dates of payment provided for in the Note except to the extent such amounts are actually paid out of the proceeds of such loss of rents insurance;

(iv) at all times during which structural construction, material repairs or alterations are being made with respect to the Improvements, owner's contingent or protective liability insurance covering claims not covered by or under the terms or provisions of the above mentioned commercial general liability insurance policy;

(v) if Borrower has employees, workers' compensation, subject to the statutory limits of the state in which the Property is located, and employer's liability insurance with a limit of at least \$1,000,000 per accident and per disease per employee, and \$1,000,000 aggregate coverage for disease in respect of any work or operations on or about the Property, or in connection with the Property or its operation;

(vi) if the Property contains HVAC or other equipment not covered by the comprehensive all risk insurance, comprehensive boiler and machinery insurance, in amounts as shall be reasonably required by Lender; and

(vii) if Borrower owns or operates motor vehicles, motor vehicle liability coverage for all owned and non-owned vehicles, including rented and leased vehicles containing minimum limits reasonably acceptable to Lender; and

(viii) such other insurance and in such amounts as Lender from time to time may reasonably request against such other insurable hazards which at the time are commonly insured against for property similar to the Property located in or around the region in which the Property is located (excluding coverage against acts of terrorism), provided that the same is commercially available at commercially reasonable rates.

(b) All insurance provided for in Subsection 3.2(a) hereof shall be obtained under valid and enforceable policies (the "Policies" or in the singular, the "Policy") issued by one or more Qualified Insurers (as hereinafter defined), provided that if insurance from a Qualified Insurer is not commercially available, Borrower shall be permitted to obtain such insurance from an "insurer of last resort" approved, authorized or licensed to provide insurance in the state in which the Property is located. Such insurance shall be written on customary forms for the coverages required hereby and, except as otherwise expressly required by the provisions of this Section 3.2, may provide for commercially reasonable policy limits and sub-limits and normal and customary exclusions, exceptions and deductibles. Whether or not covered by the express terms of any Policy, Borrower shall not decline, elect not to accept, allow to lapse or fail to pay the required premium for any insurance coverage required to be extended or offered by any insurer by applicable law, rule or regulation without Lender's prior written consent. For purposes hereof, a "Qualified Insurer" shall mean an insurance company approved, authorized or licensed to provide insurance in the state in which the Property is located and have a rating of "A" or better for claims paying ability assigned by Moody's Investors Service, Inc. and Standard & Poor's Rating Group or a general policy rating of "A-" or better and a financial class of VIII or better assigned by A.M. Best Company, Inc.

(c) Borrower shall not obtain (i) any umbrella or blanket liability or casualty Policy unless, in each case, Lender's interest is included therein as provided in this Security Instrument and such Policy is issued by a Qualified Insurer, or (ii) separate insurance concurrent in form or contributing in the event of loss with that required in Subsection 3.2(a) to be furnished by, or which may be reasonably required to be furnished by, Borrower. In the event Borrower obtains separate insurance or an umbrella or a blanket Policy, Borrower shall notify Lender of the same and shall cause certified copies of each Policy to be delivered as required in Subsection 3.2(e). Any blanket insurance Policy shall specifically allocate to the Property the amount of coverage from time to time required hereunder or shall otherwise provide the same protection as would a separate Policy insuring only the Property in compliance with the provisions of Subsection 3.2(a).

(d) All Policies of insurance provided for or contemplated by Subsection 3.2(a), except for the Policy referenced in Subsection 3.2(a)(v), shall name Lender and Borrower as the insured or additional insured, as their respective interests may appear, and in the case of property damage, boiler and machinery, flood and earthquake insurance, shall contain a "mortgagee clause" in form acceptable to Lender providing, among other things, that Lender shall receive at least thirty (30) days prior written notification of any termination, cancellation or reduction of insurance and that the loss thereunder shall be payable to Lender.

(e) If not previously delivered to Lender, Borrower shall deliver to Lender no later than thirty (30) days after the date hereof certified copies of the existing Policies providing the insurance coverage required under Section 3.2(a) marked "premium paid" or accompanied by evidence satisfactory to Lender of payment of the premiums due thereunder (the "Insurance Premiums") monthly, quarterly or annually, as the case may be, in accordance with the requirements for payment contained in the Policies. In addition, prior to the expiration dates of the Policies which Borrower is now or hereafter required to maintain hereunder, Borrower shall deliver to Lender certificates of insurance on Accord Forms 25 and 27 (or such forms as may be required by the Rating Agencies) for the new or renewal Policies (accompanied by evidence reasonably satisfactory to Lender of payment of the monthly, quarterly or annual Insurance Premiums that shall have become due thereunder),

setting forth, among other things, the amounts of insurance maintained, the risks covered by such insurance and the insurance company or companies which carry such insurance. Borrower shall deliver certified copies of the new or renewal Policies (including any blanket or umbrella Policy) Borrower is required to maintain under this Section 3.2 within the later of (1) thirty (30) days of Lender's request and (2) upon such certified copies of the new or renewal Policies being available for delivery by the applicable insurer(s). In addition, if requested by Lender, Borrower shall furnish verification of the adequacy of such insurance by an independent insurance broker or appraiser acceptable to Lender. Under no circumstances shall Borrower be permitted to finance the payment of any portion of the Insurance Premiums.

(f) If at any time Lender is not in receipt of written evidence that all insurance required hereunder is in full force and effect, Lender shall have the right, without notice to Borrower to take such action as Lender deems necessary to protect its interest in the Property, including, without limitation, the obtaining of such insurance coverage as Lender in its sole discretion deems appropriate, and all expenses incurred by Lender in connection with such action or in obtaining such insurance and keeping it in effect shall be paid by Borrower to Lender upon demand and until paid shall be secured by this Security Instrument and shall bear interest in accordance with Section 10.3 hereof.

(g) If the Property shall be damaged or destroyed, in whole or in part, by fire or other casualty, Borrower shall give prompt notice of such damage to Lender, if the cost of repairing such damage is in excess of \$100,000, and shall promptly commence and diligently prosecute the completion of the repair and restoration of the Property as nearly as possible to the condition the Property was in immediately prior to such fire or other casualty, with such alterations as may be approved by Lender (the "Restoration") and otherwise in accordance with Section 4.3 of this Security Instrument, except in instances where Lender has failed or elected not to disburse Net Proceeds to Borrower under such Section 4.3 (provided that such exception shall not apply if the failure to disburse is attributable to Borrower's failure to comply with the conditions set forth in Clauses (A), (D) or (I) of Subsection 4.3(b)(i) or in Subsection 4.3(b)(ii) or any other conditions set forth in Section 4.3 which Borrower has the practical ability to satisfy). Lender may, but shall not be obligated to make proof of loss if not made promptly by Borrower.

(h) In the event of foreclosure of this Security Instrument, or other transfer of title to the Property in extinguishment in whole or in part of the Debt, all right, title and interest of Borrower in and to such policies then in force concerning the Property and all proceeds payable thereunder shall thereupon vest in the purchaser at such foreclosure or Lender or other transferee in the event of such other transfer of title.

3.3 PAYMENT OF TAXES, ETC. Borrower shall pay all taxes, assessments, water rates, sewer rents, governmental impositions, and other charges, now or hereafter levied or assessed or imposed against the Property or any part thereof (the "Taxes"), all ground rents, maintenance charges and similar charges, now or hereafter levied or assessed or imposed against the Property or any part thereof (the "Other Charges"), and all charges for utility services provided to the Property prior to the time the same become delinquent. Borrower will deliver to Lender, promptly upon Lender's request, evidence satisfactory to Lender that the Taxes, Other Charges and utility service charges have been so paid or are not then delinquent. Borrower shall not suffer and shall promptly cause to be paid and discharged any lien or charge whatsoever which may be or become a lien or charge against the Property. Except to the extent sums sufficient to pay all Taxes and Other Charges have been deposited with Lender in accordance with the terms of this Security Instrument, Borrower shall furnish to Lender paid receipts for the payment of the Taxes and Other Charges prior to the date the same shall become delinquent.

3.4 RESERVES. (a) Borrower shall pay to Lender on each date that a regularly scheduled payment of interest is due under the Note one-twelfth of an amount which would be sufficient to pay the Taxes payable, or estimated by Lender to be payable, during the next ensuing twelve (12) months (the amounts above shall be called the "Escrow Fund"). Borrower agrees to notify Lender immediately of any changes to the amounts, schedules and instructions for payment of any Taxes of which it has obtained knowledge and authorizes

Lender or its agent to obtain the bills for Taxes and Other Charges directly from the appropriate taxing authority. The Escrow Fund and the payments of interest payable pursuant to the Note shall be added together and shall be paid as an aggregate sum by Borrower to Lender. Lender will apply the Escrow Fund to payments of Taxes required to be made by Borrower pursuant to Section 3.2 hereof. If the amount of the Escrow Fund shall exceed the amounts due for Taxes pursuant to Section 3.2 hereof, Lender shall, in its discretion, return any excess to Borrower or credit such excess against future payments to be made to the Escrow Fund. In allocating such excess, Lender may deal with the person shown on the records of Lender to be the owner of the Property. If the Escrow Fund is not sufficient to pay the items set forth in (a) and (b) above, Borrower shall promptly pay to Lender, upon demand, an amount which Lender shall estimate as sufficient to make up the deficiency. The Escrow Fund shall not constitute a trust fund and may be commingled with other monies held by Lender. No earnings or interest on the Escrow Fund shall be payable to Borrower.

(b) Borrower shall comply with the Replacement and Leasing Reserve Requirements set forth on Exhibit "B" attached hereto and made a part hereof.

(c) Borrower shall have the right to deliver a Letter of Credit in lieu of making payments to the Escrow Fund for the purposes of paying the Taxes subject to the terms and conditions set forth on Exhibit "C" hereto. If Borrower delivers a Letter of Credit, Lender shall have no obligation to apply the Escrow Fund or any proceeds of the Letter of Credit to the payment of the Taxes.

3.5 CONDEMNATION. Borrower shall promptly give Lender notice of the actual or threatened commencement of any condemnation or eminent domain proceeding and shall deliver to Lender copies of any and all papers served in connection with such proceedings. Lender may participate in any such proceedings, and Borrower shall from time to time deliver to Lender all instruments requested by it to permit such participation. Borrower shall, at its expense, diligently prosecute any such proceedings, and shall consult with Lender, its attorneys and experts, and cooperate with them in the carrying on or defense of any such proceedings. Notwithstanding any taking by any public or quasi-public authority through eminent domain or otherwise (including but not limited to any transfer made in lieu of or in anticipation of the exercise of such taking), Borrower shall continue to pay the Debt at the time and in the manner provided for its payment in the Note and in this Security Instrument and the Debt shall not be reduced until any award or payment therefor shall have been actually received and applied by Lender, after the deduction of expenses of collection, to the reduction or discharge of the Debt. Lender shall not be limited to the interest paid on the award by the condemning authority but shall be entitled to receive out of the award interest at the rate or rates provided herein or in the Note. If the Property or any portion thereof is taken by a condemning authority, Borrower shall promptly commence and diligently prosecute the Restoration of the Property and otherwise comply with the provisions of Section 4.3 of this Security Instrument, except in instances where Lender has failed or elected not to disburse Net Proceeds to Borrower under such Section 4.3 (provided that such exception shall not apply if the failure to disburse is attributable to Borrower's failure to comply with the conditions set forth in Clauses (A), (D) or (I) of Subsection 4.3(b)(i) or in Subsection 4.3(b)(ii) or any other conditions set forth in Section 4.3 which Borrower has the practical ability to satisfy). If the Property is sold, through foreclosure or otherwise, prior to the receipt by Lender of the award or payment, Lender shall have the right, whether or not a deficiency judgment on the Note shall have been sought, recovered or denied, to receive the award or payment, or a portion thereof sufficient to pay the Debt.

3.6 LEASES AND RENTS.

(a) Except as otherwise consented to by Lender, all Leases shall be written on a standard form of lease for the Property which shall have been submitted to Lender in connection with the origination of the Loan or otherwise approved by Lender. Upon request, Borrower shall furnish Lender with executed copies of all Leases. Except as required by changes in law or agreements with any association formed by the homeowners association for the Property established for the benefit of the pad site lessees and owners or lessees of manufactured homes to be placed thereon, provided that in no event shall any such agreements have a Material

Adverse Effect (as hereinafter defined), no material changes may be made to the Lender-approved standard lease without the prior written consent of Lender, which approval shall not be unreasonably withheld or delayed. In addition, all renewals of Leases and all proposed leases shall be on arms length terms, shall provide for market rents then prevailing in the market area of the Property or as reasonably determined by Borrower in a manner consistent with prudent business practices of owners of similar properties and shall provide for free rent only if the same is consistent with prevailing market conditions; provided, however, (x) Borrower shall be permitted to offer leasing incentive consistent with its ordinary business and marketing practices and those of its affiliates, and (y) Borrower shall be permitted to allow month-to-month tenancies without obtaining written Lease renewals following the expiration of a Lease with an initial term of not less than six (6) months. Subject to the restrictions contained in this Section 3.6(a), Borrower shall be permitted to lease sites at the Property to Sun Home Services, Inc. ("SHS"), an affiliate of Borrower, as well as other dealers of manufactured homes, so that SHS and such other dealers may place manufactured homes on such sites and enter into residential lease agreements pursuant to which tenants shall lease such manufactured homes, and sublease such sites, from SHS or such other dealers; provided, however, SHS and such other dealers shall be permitted to terminate any of its leases with Borrower if the tenants of SHS or such other dealers default under their leases with SHS or such other dealers. All proposed commercial Leases and renewals of existing Leases for commercial space shall be subject to the prior approval of Lender and its counsel, at Borrower's expense. All Leases shall provide that they are subordinate to this Security Instrument and that the lessee agrees to attorn to Lender. For purposes hereof, the term "Material Adverse Effect" shall mean a material adverse effect upon the current use or operation of the Property as a mobile home park, the management of the Property in a manner consistent with industry standards for similar properties, the rent generated from the Property, or the ability of Lender to enforce the terms of the Loan Documents.

(b) Borrower (i) shall observe and perform all the obligations imposed upon the lessor under the Leases and shall not do or permit to be done anything to impair the value of the Leases as security for the Obligations; (ii) shall enforce all of the terms, covenants and conditions contained in the Leases upon the part of the lessee thereunder to be observed or performed, short of termination thereof; provided however, a residential Lease may be terminated in the event of a default by the tenant thereunder; (iii) shall not collect any of the Rents more than one (1) month in advance; (iv) shall not execute any other assignment of the lessor's interest in the Leases or the Rents; and (v) shall not consent to any assignment of or subletting under the Leases without the prior written consent of Lender, except in accordance with the terms of such Leases or otherwise in the ordinary course of business.

(c) Notwithstanding the provisions of Subsection 3.6(a) above, renewals of existing commercial Leases and proposed leases for commercial space covering less than ten percent (10%) of the total rentable space for the Property and accounting for rental income which in the aggregate is less than ten percent (10%) of the total rental income for the Property shall not be subject to the prior approval of Lender provided that (i) the renewal Lease or proposed lease shall have a lease term not to exceed ten (10) years including options to renew, (ii) the renewal Lease or proposed lease shall provide for rental rates and terms comparable to existing local market rates and terms, and (iii) the renewal Lease or proposed lease shall be an arms-length transaction with a bona fide, independent third party tenant. Borrower shall deliver to Lender copies of all Leases which are entered into pursuant to the preceding sentence together with Borrower's certification that it has satisfied all of the conditions of the preceding sentence within thirty (30) days after the execution of the Lease.

3.7 MAINTENANCE OF PROPERTY. Borrower shall cause the Property to be maintained in a good and safe condition and repair. The Improvements and the Personal Property shall not be removed, demolished or materially altered (except for normal replacement of the Personal Property and tenant improvements made in connection with a Lease which has been entered into by Borrower in accordance with the terms hereof and other capital improvements made in the ordinary course of business of operating a mobile home park) without the consent of Lender. Subject to the provisions of Subsection 3.2(g) and Section 3.5, Borrower shall promptly cause the repair, replacement or rebuilding of any part of the Property which may be destroyed by any casualty, or become damaged, worn or dilapidated or which may be affected by any proceeding of the character referred to in Section 3.5 hereof. Borrower shall not initiate, join in, acquiesce in, or consent to any

change in any private restrictive covenant, zoning law or other public or private restriction, limiting or defining the uses which may be made of the Property or any part thereof. If under applicable zoning provisions the use of all or any portion of the Property is or shall become a nonconforming use, Borrower will not cause or permit the nonconforming use to be discontinued or abandoned without the express written consent of Lender which consent shall not be unreasonably withheld or delayed.

3.8 **WASTE.** Borrower shall not commit or suffer any waste of the Property or make any change in the use of the Property which will in any way materially increase the risk of fire or other hazard arising out of the operation of the Property, or take any action that might invalidate or give cause for cancellation of any Policy, or do or permit to be done thereon anything that may in any way materially impair the value of the Property or the security of this Security Instrument.

3.9 **COMPLIANCE WITH LAWS.** Borrower shall (i) promptly comply in all material respects with all existing and future federal, state and local laws, orders, ordinances, governmental rules and regulations or court orders affecting the Property, or the use thereof including, but not limited to, the Americans with Disabilities Act ("ADA") (collectively, the "Applicable Laws"), (ii) from time to time, upon Lender's request, provide Lender with evidence satisfactory to Lender that the Property complies in all material respects with all Applicable Laws or is exempt from compliance with Applicable Laws, (iii) give prompt notice to Lender of the receipt by Borrower of any notice related to a violation of any Applicable Laws and of the commencement of any proceedings or investigations which relate to compliance with Applicable Laws, and (iv) take appropriate measures to prevent and will not engage in or knowingly permit any illegal activities at the Property.

3.10 **BOOKS AND RECORDS.** (a) Borrower shall keep adequate books and records of account in accordance with methods of accounting reasonably acceptable to Lender and furnish to Lender:

(i) quarterly operating statements of the Property, prepared and certified by Borrower in substantially the same form as the operating statements delivered to Lender in connection with the closing of the Loan, detailing the revenues received, the expenses incurred and the net operating income before and after debt service (principal and interest) and major capital improvements for that quarter and containing appropriate year to date information within sixty (60) days after the end of each fiscal quarter;

(ii) certified rent rolls for the last month of each fiscal quarter signed and dated by Borrower, detailing the names of all tenants of the Improvements, the portion of Improvements occupied by each tenant, the rent and any other charges payable under each Lease and the term of each Lease, including the expiration date, and any other information as is reasonably required by Lender, within sixty (60) days after the end of each fiscal quarter;

(iii) an annual operating statement of the Property detailing the total revenues received, total expenses incurred, total cost of all capital improvements, total debt service and total cash flow, to be prepared and certified by Borrower in substantially the same form as the annual operating statements delivered to Lender in connection with the closing of the Loan, within ninety (90) days after the close of each fiscal year of Borrower and if available, any operating statements prepared by an independent certified public accountant within thirty (30) days of the date the same are made available to Borrower, and

(iv) an annual balance sheet and profit and loss statement of Borrower in substantially the same form as the balance sheet and profit and loss statement delivered to Lender in connection with the closing of the Loan, to be prepared and certified by Borrower within ninety (90) days after the close of each fiscal year of Borrower, and, if available, any financial statement prepared by an independent certified public accountant with respect to Borrower within thirty (30) days of the date the same are made available to any such persons.

(b) Upon Lender's request, Borrower shall cause each Guarantor and each Indemnitor to furnish to Lender no later than ninety (90) days after the end of the fiscal year for the applicable Guarantor or Indemnitor a financial statement for said fiscal year certified to Lender and prepared on a form reasonably acceptable to Lender. Notwithstanding anything to the contrary contained herein, Borrower shall not be required to furnish the financial information described in clause (a)(iii) or (a)(iv) above or this clause (b) so long as (A) Sun Communities Operating Limited Partnership, a Maryland corporation ("SCOLP") and Sun Communities, Inc., a Michigan corporation (the "Sponsor"), directly or indirectly, own all of the ownership interests in Borrower, (B) Sponsor remains as SCOLP's general partner and a publicly traded company and (C) the financial information required pursuant to clause (a)(iii), (a)(iv) and this clause (b) is available in public reports filed by the Sponsor in accordance with the requirements of applicable federal and State securities laws.

(c) Borrower, its affiliates, any Guarantor and any Indemnitor shall furnish Lender with such other additional financial or management information as may, from time to time, be reasonably required by Lender in form and substance reasonably satisfactory to Lender. Lender may commission new or updated appraisals, phase I and phase II environmental reports, property condition surveys and (if the Property is located in an area with a high degree of seismic activity) seismic risk assessments of the Property to be prepared by third parties (each a "Third Party") designated by Lender after the date hereof (each, a "Third Party Report"). Borrower shall cooperate with each Third Party and Lender in the preparation of the Third Party Reports and shall reimburse Lender within ten (10) days of Lender's demand for all costs incurred by Lender in connection with any of such Third Party Reports commissioned after the occurrence of an Event of Default and any environmental report commissioned as the result of Lender's determination that Hazardous Substances (as defined in the Environmental Indemnity) may have been introduced to the Property and/or a violation of Environmental Law may have occurred with respect to the Property. Any such reports commissioned by Lender shall be made available to Guarantors and may be relied upon by them to the extent permitted by the contractors furnishing such Third Party Reports.

3.11 **PAYMENT FOR LABOR AND MATERIALS.** Borrower will promptly pay when due all bills and costs for labor, materials, and specifically fabricated materials incurred by Borrower in connection with the Property and never permit to be created or exist in respect of Borrower's interest in the Property or any part thereof any other or additional lien or security interest other than the liens or security interests hereof, except for the Permitted Exceptions (defined below).

3.12 MANAGEMENT.

(a) Borrower represents and warrants to Lender that it self-manages the Property, and that it has not contracted with any third party to manage the operation, maintenance or leasing of the Property ("Management Services"). Borrower shall have the right, on at least thirty (30) days prior written notice, to delegate the Management Services to a third party manager (a "Manager"), subject to the following: (i) in no event shall the aggregate fees and other compensation payable to the Manager exceed five percent (5.0%) of the gross income from the Property, (ii) the Manager shall be a Qualified Manager (hereinafter defined), (iii) the Manager shall have entered into a management agreement with Borrower (a "Management Agreement") approved by Lender, which approval shall not be unreasonably withheld or delayed, and (iv) Borrower and the Manager shall have entered into an assignment of management agreement and subordination of management fees approved by Lender, which approval shall not be unreasonably withheld. If Borrower shall enter into any Management Agreement, then (1) Borrower shall diligently perform and observe all of the terms, covenants and conditions of the Management Agreement or any replacement thereof, on the part of Borrower to be performed and observed to the end that all things shall be done which are necessary to keep unimpaired the rights of Borrower under the Management Agreement, (2) Borrower shall promptly notify Lender of the giving of any notice by Manager to Borrower of any default by Borrower in the performance or observance of any of the terms, covenants or conditions of the Management Agreement on the part of Borrower to be performed and observed and deliver to Lender a true copy of each such notice, (3) Borrower shall not surrender the Management Agreement, consent to the assignment by the Manager of its interest under the Management Agreement, or terminate or cancel the Management Agreement, or modify, change, supplement, alter or amend the Management Agreement to increase

the management fee, reduce the Manager's material obligations in any material respect or in any other manner as may result in a Material Adverse Effect, either orally or in writing without the prior written consent of Lender, which consent shall not be unreasonably withheld provided the Property shall at all times be managed by a Qualified Manager. Borrower hereby assigns to Lender as further security for the payment of the Debt and for the performance and observance of the terms, covenants and conditions of this Security Instrument, all the rights, privileges and prerogatives of Borrower to surrender any such Management Agreement, or to terminate, cancel, modify, change, supplement, alter or amend any such Management Agreement, and any such surrender of the Management Agreement, or termination, cancellation, modification, change, supplement, alteration or amendment of the Management Agreement, without the prior consent of Lender shall be void and of no force and effect. If Borrower shall default in the performance or observance of any material term, covenant or condition of the Management Agreement on the part of Borrower to be performed or observed, then, without limiting the generality of the other provisions of this Agreement, and without waiving or releasing Borrower from any of its obligations hereunder, Lender shall have the right upon notice to Borrower, but shall be under no obligation, to pay any sums and to perform any act or take any action as may be appropriate to cause all the terms, covenants and conditions of the Management Agreement on the part of Borrower to be performed or observed to be promptly performed or observed on behalf of Borrower, to the end that the rights of Borrower in, to and under the Management Agreement shall be kept unimpaired and free from default. Lender and any Person designated by Lender shall have, and are hereby granted, the right to enter upon the Property at any time upon reasonable prior written notice and subject to the rights of tenants under the Leases and from time to time for the purpose of taking any such action. If the Manager shall deliver to Lender a copy of any notice sent to Borrower of default under the Management Agreement, such notice shall constitute full protection to Lender for any action taken or omitted to be taken by Lender in good faith, in reliance thereon. Borrower shall not, and shall not permit the Manager to, sub-contract any or all of its management responsibilities under the Management Agreement to a third-party except as expressly permitted in the Management Agreement without the prior written consent of Lender, which consent shall not be unreasonably withheld or delayed. Borrower shall, from time to time, use reasonable efforts to obtain from the Manager such certificates of estoppel with respect to compliance by Borrower with the terms of the Management Agreement as may be requested by Lender, provided that, Lender shall have the right to request such an estoppel not more than one (1) time per calendar year. Any sums expended by Lender pursuant to this paragraph shall bear interest at the Default Rate from the date such cost is incurred to the date of payment to Lender, (x) shall be deemed to constitute a portion of the Debt, (y) shall be secured by the lien of the Security Instrument and the other Loan Documents and (z) shall be immediately due and payable upon demand by Lender therefor. As used herein, the term "Qualified Manager" shall mean (A) an Affiliate of Sponsor (hereinafter defined) or (B) a reputable and experienced professional management organization (I) which manages, together with its Affiliates, at least ten (10) properties of a type and quality (or superior quality) to the Property, totaling in the aggregate no less than 2,000 mobile home pad sites, of which at least 1,000 sites shall be located in southern Florida (all exclusive of the Property) and (II) prior to whose employment as Manager shall have been approved by Lender, such approval not to be unreasonably withheld or delayed.

(b) Without limitation to the foregoing, if at any time: (i) there exists an Event of Default, (ii) there exists a material default by a Manager under a Management Agreement beyond any applicable notice and cure period, or (iii) without limitation to (i), the Maturity Date has occurred and the Debt has not been repaid in full, Borrower, upon the request of Lender, shall (y) if it is then self-managing the Property, retain a third party Manager or (z) if a third party Manager is then managing the Property, terminate the Management Agreement and replace the Manager, without penalty or fee. Any such new or replacement Manager shall be a Qualified Manager that shall assume management of the Property pursuant to a replacement management agreement that is reasonably acceptable to Lender. At the time such new or replacement Management Agreement is entered into, Borrower and the related Manager shall enter into an assignment of management agreement and subordination of management fees in favor of Lender that is reasonably acceptable to Lender.

(c) Except for the delegation of Management Services to an Affiliate of Sponsor, Lender may condition any required consent or approval of it under this Section 3.12 upon confirmation from the Rating

Agencies rating any class of Securities that the related matter shall not result in the downgrade, qualification or withdrawal of the then current ratings of any class of Securities.

3.13 **PERFORMANCE OF OTHER AGREEMENTS.** Borrower shall observe and perform in all material respects each and every term to be observed or performed by Borrower pursuant to the terms of any agreement or recorded instrument given by Borrower to Lender for the purpose of further securing an obligation secured hereby and any amendments, modifications or changes thereto. In addition, Borrower shall observe and perform in all material respects all other agreements to be observed or performed by Borrower pursuant to the terms of any agreement or recorded instrument affecting or pertaining to the Property and to which Borrower is a party or otherwise subject to the extent necessary to avoid a Material Adverse Effect.

3.14 **CHANGE OF NAME, IDENTITY OR STRUCTURE.** Borrower will not change Borrower's name, identity (including its trade name or names) or, if not an individual, Borrower's corporate, limited liability company, partnership or other structure (without regard to the ownership composition of Borrower) without notifying Lender of such change in writing at least thirty (30) days prior to the effective date of such change and, in the case of a change in Borrower's structure, without first obtaining the prior written consent of Lender. Borrower will execute and deliver to Lender, prior to or contemporaneously with the effective date of any such change, any financing statement or financing statement change required by Lender to establish or maintain the validity, perfection and priority of the security interest granted herein, and to the extent permitted by applicable law, hereby authorizes Lender to file any such financing statement on Borrower's behalf. At the request of Lender, Borrower shall execute a certificate in form satisfactory to Lender listing the trade names under which Borrower intends to operate the Property, and representing and warranting that Borrower does business under no other trade name with respect to the Property.

3.15 **EXISTENCE.** Borrower will continuously maintain its existence and its rights to do business in the state where the Property is located together with its franchises and trade names.

3.16 **OFAC.** At all times throughout the term of the Loan, Borrower and all of its respective Affiliates shall (i) not be a Prohibited Person (defined below) and (ii) be in full compliance with all applicable orders, rules, regulations and recommendations of The Office of Foreign Assets Control ("OFAC") of the U.S. Department of the Treasury.

The term "Prohibited Person" shall mean any person or entity:

- (a) listed in the Annex to, or otherwise subject to the provisions of, the Executive Order No. 13224 on Terrorist Financing, effective September 24, 2001, and relating to Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism (the "Executive Order");
- (b) that is owned or controlled by, or acting for or on behalf of, any person or entity that is listed to the Annex to, or is otherwise subject to the provisions of, the Executive Order;
- (c) with whom Lender is prohibited from dealing or otherwise engaging in any transaction by any terrorism or money laundering law, including the Executive Order;
- (d) who commits, threatens or conspires to commit or supports "terrorism" as defined in the Executive Order;
- (e) that is named as a "specially designated national and blocked person" on the most current list published by the U.S. Treasury Department Office of Foreign Assets Control at its official website, www.ustreas.gov/offices/enforcement/ofac or at any replacement website or other replacement official publication of such list; or

(f) who is an Affiliate of or affiliated with a person or entity listed above.

As used in this Security Instrument, (y) the term "Affiliate", as used herein, shall mean, as to any person or entity, any other person or entity that, directly or indirectly, is in control of, is controlled by or is under common control with such person or entity or is a director or officer of such person or entity, or of an Affiliate of such person or entity, and (z) the term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of management, policies or activities of a person or entity, whether through ownership of voting securities, by contract or otherwise.

4 - SPECIAL COVENANTS

Borrower covenants and agrees that:

4.1 PROPERTY USE. Since March 31, 1994 (the "Cutoff Date") the Property has been operated as, and from and after the date hereof shall be used only as, a manufactured housing community. No other use without the prior written consent of Lender, which consent may be withheld in Lender's sole and absolute discretion.

4.2 SPECIAL PURPOSE ENTITY. Until the Debt has been paid in full, Borrower hereby represents, warrants and covenants that it is and shall continue to be a Special Purpose Entity. A "Special Purpose Entity" means a corporation, limited liability company or partnership, which (a) does not have and will not incur any debt, secured or unsecured, direct or contingent (including guaranteeing any obligation), other than, with respect to Borrower and, if Borrower is a partnership, each of its Special Purpose Entity general partners, the following: (i) the Debt, (ii) mortgage indebtedness incurred prior to the date hereof secured by the Property which has been assigned by the prior lender to Lender and amended and restated herein on or before the date hereof, (iii) trade payables and capital expenditures incurred in the ordinary course of the business of owning and operating the Property, provided that such trade payables and capital expenditures (A) shall not be evidenced by a note, (B) shall be paid within sixty (60) days of the date incurred and (C) shall not exceed, in the aggregate, three percent (3%) of the outstanding principal balance of the Loan at any one time, (iv) real estate taxes and assessments, and (v) obligations under equipment leases and purchase money financing arrangements entered into in connection with the leasing or purchase of equipment reasonably required in connection with the ownership and operation of the Property, provided that the sum of the purchase price (or in the case of leased equipment, the amount that would have been paid in order to purchase, instead of lease) for such equipment shall not exceed, in the aggregate, one percent (1%) of the outstanding principal balance of the Loan at any one time; (b) if such entity is a limited liability company, has as its manager or managing member a Special Purpose Entity that owns at least one half percent (.50%) of the membership interests of the limited liability company; (c) if such entity is a partnership, has a general partner of such entity that is a Special Purpose Entity that owns at least one percent (1.0%) of the partnership interests in such partnership, (d) has Charter Documents that provide that such entity will not: (1) dissolve, merge, liquidate, consolidate; (2) sell all or substantially all of its assets or the assets of any entity in which it has a direct or indirect interest, except as otherwise provided in the Loan Documents; (3) engage in any other business activity, or amend its organizational documents with respect to the matters set forth in this Section 4.2 without the consent of the Lender; or (4) without the affirmative vote of all of the directors of the corporation or directors or managers of a limited liability company (that is such entity, the managing member or a general partner of such entity), file a bankruptcy or insolvency petition or otherwise institute insolvency proceedings with respect to itself or to any other entity in which it has a direct or indirect legal or beneficial ownership interest; and (e) at all times from and after the Cut-off Date (and to Borrower's knowledge with respect to the representations in clauses (i), (ii) and (iii) below, from and after the date of its inception):

(i) has been, and continuing from and after the date hereof shall remain, organized solely for the purpose of (i) acquiring, developing, owning, holding, selling, leasing, transferring, exchanging, managing and operating the Property, obtaining the Loan from Lender and transacting lawful business that is incident, necessary and appropriate to accomplish the foregoing; (ii) acting as a general partner of the partnership that owns the Property; or (iii) acting as a managing member of the general partners of the partnership that owns the Property;

(ii) has not engaged in, and continuing from and after the date hereof shall not engage in, any business or activity unrelated to (i) the acquisition, development, ownership, management or operation of the Property, (ii) acting as a member and or manager of the limited liability company that is a general partner of the partnership that owns the Property; or (iii) acting as a general partner of the partnership that owns the Property;

(iii) has not owned, and continuing from and after the date hereof shall not own, any material assets other than (i) the Property, (ii) such incidental Personal Property as may be necessary for the operation of the Property, (iii) the membership interest in the limited liability company that is a general partner of the partnership that owns the Property; or (iv) the general partnership interest in the partnership that owns the Property;

(iv) has not engaged in, sought or consented to, and continuing from and after the date hereof shall not engage in, seek or consent to, any dissolution, winding up, liquidation, consolidation, merger, or sale of all or substantially all of its assets, or transfer of its partnership or membership interests, or any stock or beneficial ownership of, any entity, except as permitted under Section 8 of this agreement;

(v) has preserved, and continuing from and after the date hereof will preserve, its existence as an entity duly organized and validly existing under the laws of the jurisdiction of its organization or formation and will not without the prior written consent of Lender, amend, modify, terminate or fail to comply with the provisions of its operating agreement, articles of formation, partnership agreement or certificate of partnership, certificate of incorporation, by-laws or similar organizational documents, as the case may be (collectively, the "Charter Documents"), or consent to or suffer the amendment, modification, termination or breach of any of the Charter Documents, or amend, modify, terminate or fail to comply with, or consent or suffer the amendment, modification, termination or breach of any Charter Documents of any entity in which it owns an interest, in each case in such a manner as could reasonably jeopardize Borrower's status as a bankruptcy remote entity;

(vi) has not owned, and continuing from and after the date hereof, shall not own or make any investment in, any individual, corporation, partnership, joint venture, limited liability company, estate, trust, unincorporated association, any federal, state, county or municipal government or any bureau, department or agency thereof or any fiduciary acting in such capacity on behalf of any of the foregoing (each, a "Person") other than Borrower or a Special Purpose Entity owning an interest in Borrower;

(vii) has not commingled, and from and after the date hereof, shall not commingle its assets with the assets of any of its general partners, managing members, shareholders, Affiliates, principals or of any other person or entity;

(viii) has maintained, and from and after the date hereof shall maintain, its financial statements, accounting records, bank accounts and other entity documents separate and apart from those of the partners, members, shareholders, principals and Affiliates of such entity, and has not permitted and will not permit its assets to be listed as assets on the financial statement of any other entity except that such entity's financial position, assets, results of operations and cash flows may be included in the consolidated financial statements of an Affiliate of such entity; provided, however, that any such consolidated financial statement shall contain a note indicating that its separate assets and liabilities are neither available to pay the debts of the consolidated entity nor constitute obligations of the consolidated entity;

(ix) has not entered into or been a party to, and from and after the date hereof, will not enter into or be a party to any contract or agreement with any general partner, managing member, shareholder, principal or Affiliate of Borrower, Guarantor or Indemnitee, or any general partner, managing member,

shareholder, principal or Affiliate thereof, except upon terms and conditions that are intrinsically fair and substantially similar to those that would be available in a comparable arms-length basis with third parties;

(x) has maintained, and from and after the date hereof shall maintain, its assets in such a manner that it will not be costly or difficult to segregate, ascertain or identify its individual assets from those of any other Person;

(xi) has not made, and from and after the date hereof shall not make any loans to any third party;

(xii) has held itself out and identified itself, and from and after the date hereof shall hold itself out and identify itself, to the public as a legal entity separate and distinct from any other Person;

(xiii) has conducted, and from and after the date hereof shall conduct, its business solely in its own name in order not (i) to mislead others as to the identity with which such other party is transacting business, or (ii) to suggest that such entity is responsible for the debts of any third party (including any general partner, managing member, shareholder, principal or Affiliate of such entity, but not including any Special Purpose Entity limited partnership of which such entity is expressly permitted to be a general partner in accordance with the terms hereof);

(xiv) has remained, and from and after the date hereof intends to remain, solvent and which pay its debt and liabilities (including, as applicable, shared personnel and overhead expenses) from the revenue generated from the operation of the Property, provided that the foregoing covenant shall not require the general partners, shareholders or members, as the case may be, of such Special Purpose Entity to make any additional capital contributions to such Special Purpose Entity;

(xv) has maintained, and from and after the date hereof, will maintain, to the extent available from the cash flow generated from the operation of the Property, adequate capital for the normal obligations reasonably foreseeable in a business of its size and character and in light of its contemplated business operations ;

(xvi) has filed, and from and after the date hereof, will file its own tax returns, if any, as may be required under applicable law, to the extent such entity is (1) not part of a consolidated group filing a consolidated return or returns or (2) not treated as a division solely for tax purposes of another taxpayer, and has paid and will pay any taxes so required to be paid under applicable law;

(xvii) has allocated, and from and after the date hereof, will allocate fairly and reasonably any overhead expenses that are shared with an Affiliate, including paying for office space and services performed by any employee of an Affiliate;

(xviii) has not failed, and from and after the date hereof shall not fail, to correct any known misunderstanding regarding the separate identity of such entity;

(xix) has held, and from and after the date hereof shall hold, its assets in its own name and has conducted and will conduct its business in its own name;

(xx) has paid, and from and after the date hereof shall pay, its own liabilities and expenses;

(xxi) has observed, and from and after the date hereof shall observe, all corporate, limited liability company or partnership formalities, as applicable;

(xxii) has not assumed, guaranteed or become obligated for, and from and after the date hereof shall not assume or guarantee or become obligated for, the debts of any other Person or hold out its credit as being available to satisfy the obligations of any other Person except by virtue of its status as a Special Purpose Entity general partner of a Special Purpose Entity partnership that has been approved by Lender;

(xxiii) has not acquired, and from and after the date hereof, will not acquire obligations or securities of its partners, members or shareholders or any other Affiliate;

(xxiv) has maintained and used, and from and after the date hereof will maintain and use, separate stationery, invoices and checks bearing its name;

(xxv) has not pledged, and from and after the date hereof shall not pledge, its assets for the benefit of any other Person;

(xxvi) has not had, and from and after the date hereof will not have, any of its obligations guaranteed by any Affiliate of such entity, except as is contemplated in this agreement;

(xxvii) has complied, and from and after the date hereof will comply, with all of the material terms and provisions contained in its Charter Documents; and

(xxviii) has conducted and operated, and from and after the date hereof shall conduct and operate, its business as presently conducted and operated and in compliance with the requirements of its Charter Documents.

Borrower further warrants and represents that it is in compliance with and will continue to comply with all of the assumptions made in that certain non-consolidation opinion letter dated the date hereof delivered by Jaffe, Raitt, Heuer & Weiss, P.C. in connection with the Loan (the "Insolvency Opinion").

Notwithstanding the foregoing, the following operations and activities of Borrower and its Affiliates shall not be considered a violation of the covenants contained in this Section 4.2:

1. offering services to residents of the Property through Affiliates of Borrower or other third parties for which fees and charges may be collected by Borrower or the Affiliate and paid to such Affiliate or third party, which may include, without limitation, cable and internet services, landscaping, snow removal, lease or sale of manufactured homes, and child care; provided that such Affiliates do not conduct their business in the name of Borrower and that any agreements between Borrower and its Affiliates relating to such services are on commercially reasonable terms similar to those of an arm's length transaction;

2. depositing all gross revenue, whether cash, cash equivalents or similar assets, in an operating account maintained specifically for the Property (a "Property Operating Account"), after paying expenses of Borrower or causing SCOLP and/or Sponsor, to pay such expenses, and distributing such remaining cash to Sponsor, SCOLP, or at the direction of Sponsor or SCOLP, as applicable, to any other Affiliate of Borrower, and in any case, distributing such remaining cash that does not belong to the Borrower promptly to such entities;

3. paying all payables, debts and other liabilities arising from or in connection with the operation of the Property from the Property Operating Account, or causing SCOLP and/or Sponsor to pay such liabilities;

4. using ancillary assets in connection with the operation of the Property held in the name of Sponsor, SCOLP, or any of their Affiliates, such as vehicles and office and maintenance equipment;

5. treating the Property for all purposes as part of and within the portfolio of manufactured housing communities owned by SCOLP or its Affiliates, for marketing, promotion and providing information and reports to the public or as required by any applicable law; provided, however, that Borrower shall conduct business in its own name or its assumed or trade name; and/or

6. allocating general overhead and administrative costs incurred by Sponsor and SCOLP and/or other Affiliates of Borrower in a fair and equitable manner.

4.3 RESTORATION. The following provisions shall apply in connection with the Restoration of the Property:

(a) If the Net Proceeds shall be less than \$500,000 and the costs of completing the Restoration shall be less than \$500,000, the Net Proceeds will be disbursed by Lender to Borrower upon receipt, provided that all of the conditions set forth in Subsection 4.3(b)(i) are met and Borrower delivers to Lender a written undertaking to expeditiously commence and to satisfactorily complete with due diligence the Restoration in accordance with the terms of this Security Instrument.

(b) If the Net Proceeds are equal to or greater than \$500,000 or the costs of completing the Restoration is equal to or greater than \$500,000, Lender shall make the Net Proceeds available for the Restoration in accordance with the provisions of this Subsection 4.3(b). The term "Net Proceeds" for purposes of this Section 4.3 shall mean: (i) the net amount of all insurance proceeds received by Lender pursuant to Subsections 3.2(a)(i), (iv), and (vi) of this Security Instrument as a result of such damage or destruction (or any proceeds of self-insurance maintained in lieu of such insurance policies), after deduction of its reasonable costs and expenses (including, but not limited to, reasonable counsel fees), if any, in collecting same ("Insurance Proceeds"), or (ii) the net amount of all awards and payments received by Lender with respect to a taking referenced in Section 3.5 of this Security Instrument, after deduction of its reasonable costs and expenses (including, but not limited to, reasonable counsel fees), if any, in collecting same ("Condemnation Proceeds"), whichever the case may be.

(i) The Net Proceeds shall be made available to Borrower for the Restoration provided that each of the following conditions are met: (A) no Event of Default shall have occurred and be continuing under the Note, this Security Instrument or any of the other Loan Documents; (B) (1) in the event of the Net Proceeds are Insurance Proceeds, less than fifty percent (50%) of the total floor area of the Improvements has been damaged, destroyed, or rendered unusable as a result of such fire or other casualty or (2) in the event the Net Proceeds are Condemnation Proceeds, less than ten percent (10%) of the land constituting the Property is taken, and such land is located along the perimeter or periphery of the Property; (C) Leases demising in the aggregate a percentage amount equal to or greater than fifty percent (50%) (with respect to casualties) or ninety percent (90%) (with respect to condemnation) of the total net rentable space in the Property which has been demised under executed and delivered Leases in effect as of the date of the occurrence of such fire or other casualty, as the case may be, shall remain in full force and effect during and after the completion of the Restoration; (D) Borrower shall have commenced the Restoration as soon as reasonably practicable (but in no event later than ninety (90) days after the settlement of the related insurance claim or determination of the condemnation award) and shall diligently pursue the same to satisfactory completion; (E) Lender shall be satisfied that any operating deficits, including all scheduled payments of principal and interest under the Note at the Applicable Interest Rate (as defined in the Note), which will be incurred with respect to the Property as a result of the occurrence of any such fire or other casualty or taking, whichever the case may be, will be covered out of (1) the Net Proceeds, (2) the insurance coverage referred to in Subsection 3.2(a)(iii), if applicable, or (3) by other funds of Borrower; (F) Lender shall be satisfied that following the completion of the Restoration, the ratio of sustainable net cash flow for the Property (after deduction for underwritten reserves) to debt service payable under the Note shall be at least 1.20 to 1.0 (G) Lender shall be reasonably satisfied that the Restoration will be completed on or before the earliest to occur of (1) twelve (12) months prior to the

Maturity Date (as defined in the Note), (2) twelve (12) months after the occurrence of such fire or other casualty or taking, whichever the case may be, (3) the earliest date required for such completion under the terms of any Leases which are required in accordance with the provisions of this Subsection 4.3(b) to remain in effect subsequent to the occurrence of such fire or other casualty or taking, whichever the case may be, and the completion of the Restoration or (4) such time as may be required under any applicable zoning laws, ordinances, rules or regulations in order to repair and restore the Property to the condition it was in immediately prior to such fire or other casualty or to as nearly as possible the condition it was in immediately prior to such taking, as applicable; (H) the Property and the use thereof after the Restoration will be in compliance with and permitted under all applicable zoning laws, ordinances, rules and regulations; (I) the Restoration shall be done and completed by Borrower in an expeditious and diligent fashion and in compliance with all applicable laws, rules and regulations; and (J) such fire or other casualty or taking, as applicable, does not result in the loss of access to the Property or the Improvements.

(ii) The Net Proceeds shall be held by Lender and, until disbursed in accordance with the provisions of this Subsection 4.3(b), shall constitute additional security for the Obligations. The Net Proceeds shall be disbursed by Lender to, or as directed by, Borrower from time to time during the course of the Restoration, upon receipt of evidence satisfactory to Lender that (A) all materials installed and work and labor performed (except to the extent that they are to be paid for out of the requested disbursement) in connection with the Restoration have been paid for in full, and (B) there exist no notices of pendency, stop orders, mechanic's or materialman's liens or notices of intention to file same, or any other liens or encumbrances of any nature whatsoever on the Property arising out of the Restoration which have not either been fully bonded to the satisfaction of Lender and discharged of record or in the alternative fully insured to the satisfaction of Lender by the title company insuring the lien of this Security Instrument.

(iii) All plans and specifications required in connection with the Restoration shall be subject to prior review and approval in all respects by Lender and by an independent consulting engineer selected by Lender (the "Casualty Consultant"), which approval shall not be unreasonably withheld or delayed. Lender shall have the use of the plans and specifications and all permits, licenses and approvals required or obtained in connection with the Restoration. The identity of the contractors, subcontractors and materialmen engaged in the Restoration, as well as the contracts under which they have been engaged, shall be subject to prior review and acceptance by Lender and the Casualty Consultant, which approval shall not be unreasonably withheld or delayed. All costs and expenses incurred by Lender in connection with making the Net Proceeds available for the Restoration including, without limitation, reasonable counsel fees and disbursements and the Casualty Consultant's fees, shall be paid by Borrower.

(iv) In no event shall Lender be obligated to make disbursements of the Net Proceeds in excess of an amount equal to the costs actually incurred from time to time for work in place as part of the Restoration, as certified by the Casualty Consultant, minus the Casualty Retainage. The term "Casualty Retainage" as used in this Subsection 4.3(b) shall mean an amount equal to 10% of the costs actually incurred for work in place as part of the Restoration, as certified by the Casualty Consultant, until the Restoration has been completed. The Casualty Retainage shall in no event, and notwithstanding anything to the contrary set forth above in this Subsection 4.3(b), be less than the amount actually held back by Borrower from contractors, subcontractors and materialmen engaged in the Restoration. The Casualty Retainage shall not be released until the Casualty Consultant certifies to Lender that the Restoration has been completed in accordance with the provisions of this Subsection 4.3(b) and that all approvals necessary for the re-occupancy and use of the Property have been obtained from all appropriate governmental and quasi-governmental authorities, and Lender receives evidence reasonably satisfactory to Lender that the costs of the Restoration have been paid in full or will be paid in full out of the Casualty Retainage, provided, however, that Lender will release the portion of the Casualty Retainage being held with respect to any contractor, subcontractor or materialman engaged in the Restoration as of the date

upon which the Casualty Consultant certifies to Lender that the contractor, subcontractor or materialman has satisfactorily completed all work and has supplied all materials in accordance with the provisions of the contractor's, subcontractor's or materialman's contract, and the contractor, subcontractor or materialman delivers the lien waivers and evidence of payment in full of all sums due to the contractor, subcontractor or materialman as may be reasonably requested by Lender or by the title company insuring the lien of this Security Instrument. If required by Lender, the release of any such portion of the Casualty Retainage shall be approved by the surety company, if any, which has issued a payment or performance bond with respect to the contractor, subcontractor or materialman.

(v) Lender shall not be obligated to make disbursements of the Net Proceeds more frequently than once every calendar month.

(vi) If at any time the Net Proceeds or the undisbursed balance thereof shall not, in the reasonable opinion of Lender, be sufficient to pay in full the balance of the costs which are estimated by the Casualty Consultant to be incurred in connection with the completion of the Restoration, Borrower shall deposit the deficiency (the "Net Proceeds Deficiency") with Lender before any further disbursement of the Net Proceeds shall be made. The Net Proceeds Deficiency deposited with Lender shall be held by Lender and shall be disbursed for costs actually incurred in connection with the Restoration on the same conditions applicable to the disbursement of the Net Proceeds, and until so disbursed pursuant to this Subsection 4.3(b) shall constitute additional security for the Obligations. With respect to Restorations following a casualty in which the Improvements are restored to substantially the same condition as they existed prior to the casualty, the excess, if any, of the Net Proceeds and the remaining balance, if any, of the Net Proceeds Deficiency deposited with Lender after the Casualty Consultant certifies to Lender that the Restoration has been completed in accordance with the provisions of this Subsection 4.3(b), and the receipt by Lender of evidence reasonably satisfactory to Lender that all costs incurred in connection with the Restoration have been paid in full, shall be remitted by Lender to Borrower, provided no Event of Default shall have occurred and shall be continuing under the Note, this Security Instrument or any of the other Loan Documents.

(c) All Net Proceeds not required (i) to be made available for the Restoration or (ii) to be returned to Borrower as excess Net Proceeds pursuant to Subsection 4.3(b)(vi) may be retained and applied by Lender toward the payment of the Debt whether or not then due and payable in such order, priority and proportions as Lender in its discretion shall deem proper or, at the discretion of Lender, the same may be paid, either in whole or in part, to Borrower for such purposes as Lender shall designate, in its discretion. Provided no Event of Default exists under the Note, this Security Instrument or the other Loan Documents, Borrower shall not be obligated to pay any prepayment premium or other prepayment consideration in connection with a prepayment resulting from the application of Net Proceeds to the Debt pursuant to the preceding sentence. Any such prepayment shall be applied to the principal last due under the Note and shall not release Borrower from the obligation to pay the Monthly Payments (as defined in the Note) next becoming due under the Note and the Monthly Payment shall not be adjusted or recalculated as a result of such partial prepayment. If Lender shall receive and retain Net Proceeds, the lien of this Security Instrument shall be reduced only by the amount thereof received and retained by Lender and actually applied by Lender in reduction of the Debt.

4.4 LOCK BOX ACCOUNT. (a) (i) Upon the occurrence of an Event of Default, provided a lock box procedure has not otherwise been instituted under any other provision of the Loan Documents, Lender shall have the right, upon written notice to Borrower to require that, from and after the next succeeding date of payment of an installment of principal and interest under the Note, all Rents with respect to the Property, at Lender's discretion, be paid directly to the property manager for the Property (the "Manager") and deposited daily by the Manager in the name designated by Lender directly to a designated lock-box account (the "Lock-Box Account"), opened by Lender at a bank (the "Lock-Box Bank"), which account shall be within the exclusive control of Lender.

(b) Upon receipt of notice from Lender as set forth in Subsection (a) above, Borrower shall enter into and shall cause Manager to enter into a lock-box agreement with Lender in a form reasonably satisfactory to Lender, which form shall substantially reflect the provisions of this Section (provided, however, that Borrower's obligations under this Section 4.4 (including Borrower's obligation to cause Manager to deposit Rents in the Lock-Box Account in accordance with Section 4.4(a) above) shall not be dependent upon the execution of any such lock-box agreement). If, in Lender's judgment, the Manager's performance in collecting Rents shall decline, Borrower shall irrevocably instruct and otherwise cause each party paying such Rents (including each tenant under any Lease) to make all payments (A) if by wire transfer, to the Lock Box Account, and (B) if by check, money order or similar manner of payment, by mail to a designated lock box (the "Lock Box") within the exclusive control of Lender Amounts deposited into the Lock-Box shall be collected and deposited daily by the Lock-Box Bank into the Lock-Box Account. Borrower agrees that if any Rents required to be deposited in the Lock Box Account shall be received by it or any affiliate or any manager of all or any portion of the Property, Borrower shall deposit or cause such Rents to be deposited in the Lock Box Account within one (1) Business Day of the receipt of such Rents by Borrower, any affiliate or any manager.

(c) Amounts on deposit in the Lock-Box Account on any date of payment of an installment of principal and interest under the Note shall be applied in the following order of priority: (i) to pay any Taxes, Other Charges or Insurance Premiums then due and payable; (ii) to pay the Lock-Box Bank's fees; (iii) to pay interest and principal due on such date with respect to the Note; (iv) to replenish all reserves and escrow funds required to be paid by Borrower to Lender under the Note, this Security Instrument and the other Loan Documents; and (v) to pay normal and customary operating expenses of the Property which have been approved by Lender.

(d) In the event that Lender shall have the right to institute lock box procedures pursuant to any other provision of the Loan Documents, the terms and provisions of such provision shall supersede the provisions of this Section 4.4.

(e) In the event that lockbox procedures shall be instituted pursuant to the provisions of this Section 4.4 and thereafter Lender shall accept the cure of such Event of Default in writing or waive such Event of Default, such lockbox procedures shall be discontinued subject to Lender's right to reinstitute the same upon the occurrence of any future Event of Default.

5 - REPRESENTATIONS AND WARRANTIES

Borrower represents and warrants to Lender that:

5.1 WARRANTY OF TITLE. Borrower has paid for and has good title to the Property and has the right to mortgage, grant, bargain, sell, pledge, assign, warrant, set over, transfer and convey the same and that Borrower possesses an unencumbered fee simple absolute estate in the Land and the Improvements and that it owns the Property free and clear of all liens, encumbrances and charges whatsoever except for those exceptions shown in the title insurance policy insuring the lien of this Security Instrument (the "Permitted Exceptions"). The Permitted Exceptions do not and will not materially adversely affect or interfere with the value, or materially adversely affect or interfere with the current use or operations, of the Property, or the security intended to be provided by this Security Instrument or the ability of Borrower to repay the Note or any other amount owing under the Note, this Security Instrument, or the other Loan Documents or to perform its obligations thereunder in accordance with the terms of the Note, this Security Instrument or the other Loan Documents. Borrower shall forever warrant, defend and preserve the title and the validity and priority of the lien of this Security Instrument and shall forever warrant and defend the same to Lender against the claims of all persons whomsoever.

5.2 AUTHORITY. Borrower (and the undersigned representative of Borrower, if any) has full power, authority and legal right to execute this Security Instrument, and to mortgage, grant, bargain, sell, pledge,

assign, warrant, set-over, transfer and convey the Property pursuant to the terms hereof and to keep and observe all of the terms of this Security Instrument on Borrower's part to be performed.

5.3 **LEGAL STATUS AND AUTHORITY.** Borrower (a) is duly organized, validly existing and in good standing under the laws of its state of organization or incorporation; (b) is duly qualified to transact business and is in good standing in the State where the Property is located; and (c) has all necessary approvals, governmental and otherwise, and full power and authority to own the Property and carry on its business as now conducted and proposed to be conducted. Borrower now has and shall continue to have the full right, power and authority to operate and lease the Property, to encumber the Property as provided herein and to perform all of the other obligations to be performed by Borrower under the Note, this Security Instrument and the other Loan Documents.

5.4 **VALIDITY OF DOCUMENTS.** (a) The execution, delivery and performance of the Note, this Security Instrument and the other Loan Documents and the borrowing evidenced by the Note (i) are within the partnership power of Borrower; (ii) have been authorized by all requisite partnership action; (iii) to the best of Borrower's knowledge, have received all necessary approvals and consents, whether corporate, governmental or otherwise; (iv) will not violate, result in a breach of or constitute (with notice or lapse of time, or both) a default under any provision of law, any order or judgment of any court or governmental authority of which Borrower is aware, the partnership agreement or other governing instrument of Borrower, or any indenture, agreement or other instrument to which Borrower is a party or by which it or any of its assets or the Property is or may be bound or affected; (v) will not result in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of its assets, except the lien and security interest created hereby; and (vi) will not require any authorization or license from, or any filing with, any governmental or other body (except for the recordation of this instrument in appropriate land records in the State where the Property is located and except for Uniform Commercial Code filings relating to the security interest created hereby); and (b) the Note, this Security Instrument and the other Loan Documents constitute the legal, valid and binding obligations of Borrower.

5.5 **LITIGATION.** There is no action, suit or proceeding, judicial, administrative or otherwise (including any condemnation or similar proceeding), pending or, to the best of Borrower's knowledge, threatened or contemplated against, or affecting, Borrower, a Guarantor, if any, an Indemnitor, if any, or the Property, and which if determined adversely to Borrower or any Guarantor or Indemnitor, could reasonably result in a Material Adverse Effect.

5.6 **STATUS OF PROPERTY.** (a) No portion of the Improvements is located in an area identified by the Secretary of Housing and Urban Development or any successor thereto as an area having special flood hazards pursuant to the National Flood Insurance Act of 1968 or the Flood Disaster Protection Act of 1973, as amended, or any successor law, or, if located within any such area, Borrower has obtained and will maintain the insurance prescribed in Section 3.2 hereof; (b) Borrower has obtained all necessary certificates, licenses and other approvals, governmental and otherwise, necessary for the operation of the Property and the conduct of its business and all required zoning, building code, land use, environmental and other similar permits or approvals, all of which are in full force and effect as of the date hereof and not subject to revocation, suspension, forfeiture or modification; (c) the Property and the present and contemplated use and occupancy thereof are in material compliance with all Applicable Laws, including, without limitation, zoning ordinances, building codes, land use and environmental laws, laws relating to the disabled (including, but not limited to, the ADA) and other similar laws; (d) the Property is served by all utilities (including, but not limited to, public water and sewer systems) required for the current or contemplated use thereof; (e) all utility service is provided by public utilities and the Property has accepted or is equipped to accept such utility service; (f) all public roads and streets necessary for service of and access to the Property for the current or contemplated use thereof have been completed, are serviceable and all-weather and are physically and legally open for use by the public; (g) except as otherwise indicated in the property condition report obtained by Lender, the Property is, to the best of Borrower's knowledge, free from damage caused by fire or other casualty; (h) all costs and expenses of any and all labor,

materials, supplies and equipment used in the construction of the Improvements have been paid in full; (i) all liquid and solid waste disposal, septic and sewer systems located on the Property are in a good and safe condition and repair and in material compliance with all Applicable Laws; and (j) except as otherwise shown by the survey delivered to Lender in connection with the origination of the Loan, all Improvements lie within the boundary of the Land.

5.7 NO FOREIGN PERSON. Borrower is not a “foreign person” within the meaning of Section 1445(f)(3) of the Internal Revenue Code of 1986, as amended and the related Treasury Department regulations, including temporary regulations.

5.8 SEPARATE TAX LOT. The Property is assessed for real estate tax purposes as one or more wholly independent tax lot or lots, separate from any adjoining land or improvements not constituting a part of such lot or lots, and no other land or improvements are assessed and taxed together with the Property or any portion thereof.

5.9 ERISA COMPLIANCE. As of the date hereof and throughout the term of this Security Instrument, (i) Borrower is not and will not be an “employee benefit plan” as defined in Section 3(3) of ERISA, which is subject to Title I of ERISA; (ii) the assets of Borrower do not and will not constitute “plan assets” of one or more such plans for purposes of Title I of ERISA; (iii) Borrower is not and will not be a “governmental plan” within the meaning of Section 3(32) of ERISA; and (iv) transactions by or with Borrower are not and will not be subject to state statutes applicable to Borrower regulating investments of and fiduciary obligations with respect to governmental plans. Borrower shall deliver to Lender such certifications or other evidence as requested by Lender from time to time of Borrower’s compliance with the foregoing representations and covenants.

5.10 LEASES. (a) Borrower is the sole owner of the entire lessor’s interest in the Leases; (b) the Leases are valid and enforceable; (c) the terms of all alterations, modifications and amendments to the Leases are reflected in the certified occupancy statement delivered to and approved by Lender; (d) none of the Rents reserved in the Leases have been assigned or otherwise pledged or hypothecated; (e) none of the Rents have been collected for more than one (1) month in advance; (f) the premises demised under the Leases have been completed and the tenants under the Leases have accepted the same and have taken possession of the same on a rent-paying basis; (g) there exist no offsets or defenses to the payment of any portion of the Rents; (h) no Lease contains an option to purchase, right of first refusal to purchase, or any other similar provision; and (i) no person or entity has any possessory interest in, or right to occupy, the Property except under and pursuant to a Lease.

5.11 FINANCIAL CONDITION. (a) Borrower is solvent, and no bankruptcy, reorganization, insolvency or similar proceeding under any state or federal law with respect to Borrower has been initiated, and (b) it has received reasonably equivalent value for the granting of this Security Instrument.

5.12 BUSINESS PURPOSES. The Loan is solely for the business purpose of Borrower, and is not for personal, family, household, or agricultural purposes.

5.13 TAXES. Borrower has filed all federal, state, county, municipal, and city income and other tax returns required to have been filed by them and have paid all taxes and related liabilities which have become due pursuant to such returns or pursuant to any assessments received by them. Borrower knows of no basis for any additional assessment in respect of any such taxes and related liabilities for prior years.

5.14 MAILING ADDRESS. Borrower’s mailing address, as set forth in the opening paragraph hereof or as changed in accordance with the provisions hereof, is true and correct.

5.15 NO CHANGE IN FACTS OR CIRCUMSTANCES. All information submitted in connection with Borrower’s application for the loan and Lender’s issuance of a commitment for the Loan

(collectively, the "Loan Application") and the satisfaction of the conditions thereof, including, but not limited to, all financial statements, rent rolls, reports, certificates and other documents, are accurate, complete and correct in all material respects. There has been no adverse change in any condition, fact, circumstance or event that makes any such information inaccurate, incomplete or otherwise misleading.

5.16 DISCLOSURE. To Borrower's best knowledge, Borrower has disclosed to Lender all material facts and has not failed to disclose any material fact that is likely to cause any representation or warranty made herein to be materially misleading.

5.17 THIRD PARTY REPRESENTATIONS. Each of the representations and the warranties made by each Guarantor and Indemnitee herein or in any other Loan Document(s) is true and correct in all material respects.

5.18 ILLEGAL ACTIVITY. No portion of the Property has been or will be purchased with proceeds of any illegal activity.

5.19 OFAC. Borrower represents and warrants that neither Borrower or any of its respective Affiliates is a Prohibited Person and Borrower and all of its respective Affiliates are in full compliance with all applicable orders, rules, regulations and recommendations of The Office of Foreign Assets Control of the U.S. Department of the Treasury.

Borrower acknowledges that in accepting the Note, this Security Instrument and the other Loan Documents, Lender is expressly and primarily relying on the truth and accuracy of the warranties and representations set forth above notwithstanding any investigation of the Property by Lender; that such reliance existed on the part of Lender prior to the date hereof; that the warranties and representations are a material inducement to Lender in making the Loan and that Lender would not make the Loan in the absence of such warranties.

6 - OBLIGATIONS AND RELIANCES

6.1 RELATIONSHIP OF BORROWER AND LENDER. The relationship between Borrower and Lender is solely that of debtor and creditor, and Lender has no fiduciary or other special relationship with Borrower and no term or condition of any of the Note, this Security Instrument and the other Loan Documents shall be construed so as to deem the relationship between Borrower and Lender to be other than that of debtor and creditor. Borrower is not relying on Lender's expertise business acumen or advice in connection with the Property.

6.2 NO LENDER OBLIGATIONS. (a) Notwithstanding the provisions of Subsections 1.1(f) and (l) or Section 1.2, Lender is not undertaking the performance of (i) any obligations under the Leases; or (ii) any obligations with respect to such agreements, contracts, certificates, instruments, franchises, permits, trademarks, licenses and other documents.

(b) By accepting or approving anything required to be observed, performed or fulfilled or to be given to Lender pursuant to this Security Instrument, the Note or the other Loan Documents, Lender shall not be deemed to have warranted, consented to, or affirmed the sufficiency, the legality or effectiveness of same, and such acceptance or approval thereof shall not constitute any warranty or affirmation with respect thereto by Lender.

7 - FURTHER ASSURANCES

7.1 RECORDING OF SECURITY INSTRUMENT, ETC. Borrower forthwith upon the execution and delivery of this Security Instrument and thereafter, from time to time, will cause this Security

Instrument and any of the other Loan Documents creating a lien or security interest or evidencing the lien hereof upon the Property to be filed, registered or recorded in such manner and in such places as may be required by any present or future law in order to publish notice of and fully to protect and perfect the lien or security interest hereof upon, and the interest of Lender in, the Property. Except where prohibited by law, Borrower will pay all taxes, duties, imposts, assessments, filing, registration and recording fees, and any and all expenses incident to the preparation, execution, acknowledgment and/or recording of the Loan Documents and any amendment or supplement thereto.

7.2 FURTHER ACTS, ETC. Borrower will, at the cost of Borrower, and without expense to Lender, do, execute, acknowledge and deliver all and every such further acts, deeds, conveyances, mortgages, assignments, notices of assignments, transfers, deeds to secure debt and assurances as Lender shall, from time to time, reasonably require, for the better assuring, conveying, assigning, transferring, and confirming unto Lender the property and rights hereby mortgaged, granted, bargained, sold, conveyed, confirmed, pledged, assigned, warranted and transferred or intended now or hereafter so to be, or which Borrower may be or may hereafter become bound to convey or assign to Lender, or for carrying out the intention or facilitating the performance of the terms of this Security Instrument or for filing, registering or recording this Security Instrument, or for complying in all material respects with all Applicable Laws. Borrower, on demand, will execute and deliver and hereby authorizes Lender to execute in the name of Borrower or without the signature of Borrower to the extent Lender may lawfully do so, and to file in the appropriate filing or recording offices, one or more financing statements, chattel mortgages or other instruments, to evidence more effectively the security interest of Lender in the Property. Borrower grants to Lender an irrevocable power of attorney coupled with an interest for the purpose of exercising and perfecting any and all rights and remedies available to Lender at law and in equity, including without limitation such rights and remedies available to Lender pursuant to this Section 7.2.

7.3 CHANGES IN TAX, DEBT, CREDIT AND DOCUMENTARY STAMP LAWS. (a) If any law is enacted or adopted or amended after the date of this Security Instrument which deducts the Debt from the value of the Property for the purpose of taxation or which imposes a tax, either directly or indirectly, on the Debt or Lender's interest in the Property, Borrower will pay the tax, with interest and penalties thereon, if any. If Lender is advised by counsel chosen by it that the payment of tax by Borrower would be unlawful or taxable to Lender or unenforceable or provide the basis for a defense of usury, then Lender shall have the option by written notice of not less than ninety (90) days to declare the Debt immediately due and payable.

(b) Borrower will not claim or demand or be entitled to any credit or credits against the Debt for any part of the Taxes or Other Charges assessed against the Property, or any part thereof, and no deduction shall otherwise be made or claimed from the assessed value of the Property, or any part thereof, for real estate tax purposes by reason of this Security Instrument or the Debt. If such claim, credit or deduction shall be required by law, Lender shall have the option, by written notice of not less than ninety (90) days, to declare the Debt immediately due and payable.

(c) If at any time the United States of America, any State thereof or any subdivision of any such State shall require revenue or other stamps to be affixed to the Note, this Security Instrument, or any of the other Loan Documents or impose any other tax or charge on the same, Borrower will pay for the same, with interest and penalties thereon, if any.

7.4 ESTOPPEL CERTIFICATES. (a) After written request by Lender, Borrower, within ten (10) days, shall furnish Lender or any proposed assignee an estoppel certificate in form and content as may be reasonably requested by Lender with respect to the status of the Loan and/or the Loan Documents.

(b) Borrower shall use commercially reasonable efforts to deliver to Lender, promptly upon request, duly executed estoppel certificates from any one or more commercial lessees as required by Lender attesting to such facts regarding the Lease as Lender may reasonably require, provided that (i) Borrower shall not

be required to honor more than two requests made by Lender in any twelve month period and (ii) in no event shall Borrower be required to obtain estoppel certificates from lessees containing more information than that required to be certified pursuant to the terms of the related Lease.

7.5 REPLACEMENT DOCUMENTS. Upon receipt of an affidavit of an officer of Lender as to the loss, theft, destruction or mutilation of the Note or any other Loan Document which is not of public record, and, in the case of any such mutilation, upon surrender and cancellation of such Note or other Loan Document, Borrower will issue, in lieu thereof, a replacement Note or other Loan Document, dated the date of such lost, stolen, destroyed or mutilated Note or other Loan Document in the same principal amount thereof and otherwise of like tenor.

8 - DUE ON SALE/ENCUMBRANCE

8.1 LENDER RELIANCE. Borrower acknowledges that Lender has examined and relied on the experience of Borrower and its general partners, managing members, principals and (if Borrower is a trust) beneficial owners in owning and operating properties such as the Property in agreeing to make the Loan, and will continue to rely on Borrower's ownership of the Property as a means of maintaining the value of the Property as security for payment and performance of the Obligations. Borrower acknowledges that Lender has a valid interest in maintaining the value of the Property so as to ensure that, should Borrower default in the payment or the performance of the Obligations, Lender can recover the Debt by a sale of the Property.

8.2 NO SALE/ENCUMBRANCE. Except as otherwise expressly permitted in this Article 8, Borrower shall not sell, convey, mortgage, grant, bargain, encumber, pledge, assign, grant options with respect to, or otherwise transfer or dispose of (directly or indirectly, voluntarily or involuntarily, by operation of law or otherwise, and whether or not for consideration or of record) the Property or any part thereof or any legal or beneficial interest therein or permit any voluntary or involuntary sale or pledge of any interest in any Restricted Party (collectively, a "Transfer"), other than pursuant to Leases of space in the Improvements to tenants in accordance with the provisions of Section 3.6 hereof, without (i) the prior written consent of Lender and (ii) if a transfer of the Loan in connection with a Securitization (as hereinafter defined) has occurred, delivery to Lender of written confirmation from the Rating Agencies that the Transfer will not result in the downgrade, withdrawal or qualification of the then current ratings assigned to any Securities or the proposed rating of any Securities. For purposes hereof, the term "Restricted Party" shall mean Borrower, any Guarantor or Indemnitor, or any shareholder, partner, member or non member manager, or any direct or indirect legal or beneficial owner of, Borrower, or any shareholder, partner, member or non member manager of any of the foregoing.

8.3 SALE/ENCUMBRANCE DEFINED.

(a) A Transfer shall include, but not be limited to: (i) an installment sales agreement wherein Borrower agrees to sell the Property or any part thereof for a price to be paid in installments; (ii) an agreement by Borrower leasing all or a substantial part of the Property for other than actual occupancy by a space tenant thereunder or a sale, assignment or other transfer of, or the grant of a security interest in, Borrower's right, title and interest in and to any Leases or any Rents; (iii) if a Restricted Party is a corporation, any merger or consolidation or Transfer of such corporation's stock or the creation or issuance of new stock; (iv) if a Restricted Party is a limited or general partnership or joint venture, any merger or consolidation or the change, removal, resignation or addition of a general partner or the Transfer of the partnership interest of any general partner or any profits or proceeds relating to such partnership interest, or the Transfer of limited partnership interests or any profits or proceeds relating to such limited partnership interests or the creation or issuance of new limited partnership interests; (v) if a Restricted Party is a limited liability company, any merger or consolidation or the change, removal, resignation or addition of a managing member or non member manager (or if no managing member, any member) or the Transfer of the membership interest of a managing member (or if no managing member, any member) or any profits or proceeds relating to such membership interest, or the Transfer of non

managing membership interests or the creation or issuance of new non managing membership interests; (vi) if a Restricted Party is a trust or nominee trust, any merger or consolidation or the Transfer of the legal or beneficial interest in a Restricted Party or the creation or issuance of new legal or beneficial interests; or (vii) without limitation to the foregoing, any voluntary or involuntary sale, transfer, conveyance or pledge by any person or entity which directly or indirectly controls Borrower (by operation of law or otherwise) of its direct or indirect controlling interest in Borrower. Notwithstanding the foregoing, the following transfers shall not be deemed to be a Transfer requiring Lender's approval or payment of a transfer fee: (A) a transfer by devise or descent or by operation of law upon the death of a partner, member or stockholder of any Restricted Party, (B) a sale, transfer or hypothecation of a partnership, shareholder or membership interest in any Restricted Party, whichever the case may be, by the current partner(s), shareholder(s) or member(s), as applicable, to an immediate family member (i.e., parents, spouses, siblings, children or grandchildren) of such partner, shareholder or member (or a trust for the benefit of any such persons); (C) the sale or pledge, in one or a series of transactions, of not more than forty nine percent (49%) of the stock in a Restricted Party; provided, however, no such transfers shall result in the change of voting control in the Restricted Party, and as a condition to each such transfer, Lender shall receive not less than thirty (30) days prior written notice of such proposed transfer; (D) the sale or pledge, in one or a series of transactions, of not more than forty nine percent (49%) of the limited partnership interests or non managing membership interests (as the case may be) in a Restricted Party, provided, however, as a condition of such transfer Lender shall receive not less than thirty (30) days prior written notice of such proposed transfer. Notwithstanding anything to the contrary contained in this Section 8.3, (1) a transfer of the ownership interests in Borrower, SCOLP, or Sponsor shall not (by attribution or otherwise) constitute a prohibited Transfer, provided that Sponsor maintains at least a 51% ultimate beneficial ownership interest in Borrower and no transfer of an interest in Borrower or SCOLP is made to a Prohibited Person, and (2) a conveyance or assignment of up to the entire equity ownership interest in Sponsor shall not be deemed to be (by attribution or otherwise) a prohibited Transfer.

(b) Notwithstanding anything to the contrary contained in this Article 8, and in addition to the transfers permitted hereunder, following the first anniversary of the date hereof, Lender's consent to a sale, assignment, or other transfer of the Property shall not be withheld provided that Lender receives thirty (30) days prior written notice of such transfer hereunder and no Event of Default has occurred and is continuing, and further provided that, the following additional requirements are satisfied:

(i) Borrower shall pay Lender a transfer fee equal to 0.5% of the outstanding principal balance of the Loan at the time of such transfer;

(ii) Borrower shall pay any and all out-of-pocket costs incurred in connection with the transfer of the Property (including, without limitation, Lender's counsel fees and disbursements and all recording fees, title insurance premiums and mortgage and intangible taxes and the fees and expenses of the Rating Agencies pursuant to clause (x) below);

(iii) The proposed transferee (the "Transferee") or Transferee's Principals (hereinafter defined) must have demonstrated expertise in owning and operating properties similar in location, size and operation to the Property, which expertise shall be reasonably determined by Lender. The term "Transferee's Principals" shall include Transferee's (A) managing members, general partners or principal shareholders and (B) such other members, partners or shareholders which directly or indirectly shall own a 15% or greater interest in Transferee;

(iv) Transferee and Transferee's Principals shall, as of the date of such transfer, have an aggregate net worth and liquidity reasonably acceptable to Lender;

(v) Transferee, Transferee's Principals and all other entities which may be owned or controlled directly or indirectly by Transferee's Principals ("Related Entities") must not have been a party to any bankruptcy proceedings, voluntary or involuntary, made an assignment for the benefit of creditors

or taken advantage of any insolvency act, or any act for the benefit of debtors within seven (7) years prior to the date of the proposed transfer of the Property;

(vi) Transferee shall assume all of the obligations of Borrower under the Loan Documents in a manner satisfactory to Lender in all respects, including, without limitation, by entering into an assumption agreement in form and substance satisfactory to Lender and one or more Transferee's Principals having an aggregated net worth and liquidity reasonably acceptable to Lender shall execute in favor of Lender a Guaranty of Recourse Obligations and Environmental Indemnity Agreement in form acceptable to Lender;

(vii) There shall be no material litigation or regulatory action pending or threatened against Transferee, Transferee's Principals or Related Entities which is not reasonably acceptable to Lender;

(viii) Transferee, Transferee's Principals and Related Entities shall not have defaulted under its or their obligations with respect to any other indebtedness in a manner which is not reasonably acceptable to Lender;

(ix) Transferee and Transferee's Principals must be able to satisfy all the covenants set forth in Sections 4.2 and 5.9 hereof, no Event of Default or event which, with the giving of notice, passage of time or both, shall constitute an Event of Default, shall otherwise occur as a result of such transfer, and Transferee and Transferee's Principals shall deliver (A) all organization documentation reasonably requested by Lender, which shall be reasonably satisfactory to Lender, and (B) all certificates, agreements and covenants reasonably required by Lender;

(x) The Rating Agencies selected by Lender shall confirm in a manner acceptable to Lender that such transfer shall not result in the downgrade, qualification or withdrawal of any ratings then assigned by such Rating Agencies to any class of Securities; and

(xi) Borrower shall deliver, at its sole cost and expense, an endorsement to the existing title policy insuring the Security Instrument, as modified by the assumption agreement, as a valid first lien on the Property and naming the Transferee as owner of the Property, which endorsement shall insure that, as of the date of the recording of the assumption agreement, the Property shall not be subject to any additional exceptions or liens other than those contained in the title policy issued on the date hereof.

(c) Immediately upon a transfer of the Property to such Transferee and the satisfaction of all of the above requirements, the named Borrower herein and any affiliated Guarantor or Indemnitor shall be released from all liability under this Security Instrument, the Note and the other Loan Documents accruing after such transfer. The foregoing release shall be effective upon the date of such transfer, but Lender agrees to provide written evidence thereof reasonably requested by Borrower.

8.4 **LENDER'S RIGHTS.** Except as otherwise expressly provided in Section 8.3(b) hereinabove, Lender reserves the right to condition the consent required hereunder upon a modification of the terms hereof and on assumption of the Note, this Security Instrument and the other Loan Documents as so modified by the proposed transferee, payment of a transfer fee of one percent (1%) of the principal balance of the Note and all of Lender's expenses incurred in connection with such transfer, the approval by Lender of the proposed transferee, the proposed transferee's continued compliance with the representations, warranties and covenants set forth in Sections 4.2 and 5.9 hereof, or such other conditions as Lender shall determine in its sole discretion to be in the interest of Lender. Lender shall not be required to demonstrate any actual impairment of its security or any increased risk of default hereunder in order to declare the Debt immediately due and payable upon Borrower's sale, conveyance, mortgage, grant, bargain, encumbrance, pledge, assignment, or transfer of the Property without Lender's consent. This provision shall apply to every sale, conveyance, mortgage, grant, bargain, encumbrance, pledge, assignment, or transfer of the Property regardless of whether voluntary or not, or

9 - DEFAULT

9.1 **EVENTS OF DEFAULT.** The occurrence of any one or more of the following events shall constitute an "Event of Default": (a) if any portion of the Debt is not paid on the date the same is due or if the entire Debt is not paid on or before the Maturity Date; (b) if any of the Taxes or Other Charges is not paid prior to the date the same becomes delinquent except to the extent sums sufficient to pay such Taxes and Other Charges have been deposited with Lender in accordance with the terms of this Security Instrument; (c) if the Policies are not kept in full force and effect, or if the Policies are not delivered to Lender upon request or Borrower has not delivered evidence of the renewal of the Policies thirty (30) days prior to their expiration as provided in Section 3.2(e); (d) if Borrower violates in any material respect any of the provisions of Sections 3.6 or 4.2 or Articles 8 or 11; (e) if any representation or warranty of Borrower or any Indemnitor or Guarantor, or any general partner or managing member of any of the foregoing made in the Loan Documents or any other certificate, report or financial statement delivered to Lender by Borrower or on behalf of Borrower in connection with the Loan shall have been false or misleading in any material respect when made; (f) if (i) Borrower or any general partner or managing member of Borrower shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, adjustment, liquidation, dissolution or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets, or Borrower or any general partner or managing member of Borrower shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against Borrower or any general partner or managing member of Borrower any case, proceeding or other action of a nature referred to in clause (i) above which (A) results in the entry of an order for relief or any such adjudication or appointment or (B) remains undismissed or undischarged for a period of sixty (60) days; or (iii) there shall be commenced against Borrower or any general partner or managing member of Borrower any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets which results in the entry of any order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within sixty (60) days from the entry thereof; or (iv) Borrower or any general partner or managing member of Borrower shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii), or (iii) above; or (v) Borrower or any general partner or managing member of Borrower shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due; (g) if Borrower shall be in default beyond any applicable notice or cure period under any other mortgage, deed of trust, deed to secure debt or other security agreement covering any part of the Property whether it be superior or junior in lien to this Security Instrument; (h) if the Property becomes subject to any mechanic's, materialman's or other lien other than a lien for local real estate taxes and assessments not then delinquent and the lien shall remain undischarged of record (by payment, bonding or otherwise) for a period of thirty (30) days after Borrower has first received notice thereof; (i) if any federal tax lien is filed against the Property and same is not discharged of record (by payment, bonding or otherwise) within thirty (30) days after Borrower has first received notice thereof; (j) if within ten (10) days of Lender's demand therefor Borrower fails to provide Lender with the written certification and evidence referred to in Section 5.9 hereof or Borrower fails to comply with its obligations under Section 16.1; (k) if Borrower or any other Indemnitor shall fail to perform any of its obligations under that certain environmental indemnity agreement of even date herewith (the "Environmental Indemnity") after the expiration of applicable notice and grace periods, if any; (l) if any default beyond any applicable notice or cure period occurs under any guaranty or indemnity executed in connection herewith and such default continues after the expiration of applicable grace periods, if any; or (m) if for more than ten (10) days after notice from Lender, Borrower shall continue to be in default under any other term, covenant or condition of the Note, this Security Instrument or the other Loan Documents in the case of any default which can be cured by the payment of a sum of money or for thirty (30) days after notice from Lender in the case of any

other default, provided that if such default cannot reasonably be cured within such thirty (30) day period and Borrower shall have commenced to cure such default within such thirty (30) day period and thereafter diligently and expeditiously proceeds to cure the same, such thirty (30) day period shall be extended for so long as it shall require Borrower in the exercise of due diligence to cure such default.

10 - RIGHTS AND REMEDIES

10.1 **REMEDIES.** Upon the occurrence of any Event of Default, Borrower agrees that Lender may take such action, without notice or demand, as it deems advisable to protect and enforce its rights against Borrower and in and to the Property, including, but not limited to, the following actions, each of which may be pursued concurrently or otherwise, at such time and in such order as Lender may determine, in its sole discretion, without impairing or otherwise affecting the other rights and remedies of Lender: (a) declare the entire unpaid Debt to be immediately due and payable; (b) with or without entry, institute proceedings, judicial or otherwise, for the complete or partial foreclosure of this Security Instrument under any applicable provision of law in which case the Property or any interest therein may be sold for cash or upon credit in one or more parcels or in several interests or portions and in any order or manner, any partial foreclosure to be subject to the continuing lien and security interest of this Security Instrument for the balance of the Debt not then due, unimpaired and without loss of priority; (c) sell for cash or upon credit the Property or any part thereof and all estate, claim, demand, right, title and interest of Borrower therein and rights of redemption thereof, pursuant to power of sale, judicial decree or otherwise, at one or more sales, as an entirety or in one or more parcels; (d) institute an action, suit or proceeding in equity for the specific performance of any covenant, condition or agreement contained herein, in the Note or in the other Loan Documents; (e) recover judgment on the Note either before, during or after any proceedings for the enforcement of this Security Instrument or the other Loan Documents; (f) apply for the appointment of a receiver, trustee, liquidator or conservator of the Property, without notice and without regard for the adequacy of the security for the Debt and without regard for the solvency of Borrower, any Guarantor, Indemnitor or of any person, firm or other entity liable for the payment of the Debt; (g) enter into or upon the Property, either personally or by its agents, nominees or attorneys and dispossess Borrower and its agents and servants therefrom, without liability for trespass, damages or otherwise and exclude Borrower and its agents or servants wholly therefrom, and take possession of all books, records and accounts relating thereto and Borrower agrees to surrender possession of the Property and of such books, records and accounts to Lender upon demand, and thereupon Lender may exercise all rights and powers of Borrower with respect to the Property including, without limitation, (1) the right to use, operate, manage, control, insure, maintain, repair, restore and otherwise deal with all and every part of the Property and conduct the business thereat; (2) the right to make or complete any construction, alterations, additions, renewals, replacements and improvements to or on the Property as Lender deems advisable; (3) the right to make, cancel, enforce or modify Leases, obtain and evict tenants, and demand, sue for, collect and receive all Rents of the Property and every part thereof; (h) require Borrower to pay monthly in advance to Lender, or any receiver appointed to collect the Rents, the fair and reasonable rental value for the use and occupation of such part of the Property as may be occupied by Borrower; (i) require Borrower to vacate and surrender possession of the Property to Lender or to such receiver and, in default thereof, Borrower may be evicted by summary proceedings or otherwise; (j) apply the receipts from the Property, any Deposits and interest thereon and/or any unearned Insurance Premiums paid to Lender upon the surrender of any Policies maintained pursuant to Article 3 hereof (it being agreed that Lender shall have the right to surrender such Policies upon the occurrence of an Event of Default), to the payment of the Obligations, in such order, priority and proportions as Lender shall deem appropriate in its sole discretion; or (k) exercise any and all rights and remedies granted to a secured party upon default under the Uniform Commercial Code, including, without limiting the generality of the foregoing: (1) the right to take possession of the Personal Property or any part thereof, and to take such other measures as Lender may deem necessary for the care, protection and preservation of the Personal Property, and (2) request Borrower at its expense to assemble the Personal Property and make it available to Lender at a convenient place acceptable to Lender. Any notice of sale, disposition or other intended action by Lender with respect to the Personal Property sent to Borrower in accordance with the provisions hereof at least five (5) days prior to such action, shall constitute commercially reasonable notice to Borrower. Upon any foreclosure or other

sale of the Property pursuant to the terms hereof, Lender may bid for and purchase the Property and shall be entitled to apply all or any part of the secured indebtedness as a credit against the purchase price.

In the event of a sale, by foreclosure, power of sale, or otherwise, of less than all of the Property, this Security Instrument shall continue as a lien and security interest on the remaining portion of the Property unimpaired and without loss of priority. Notwithstanding the provisions of this Section 10.1 to the contrary, if any Event of Default as described in clause (i) or (ii) of Subsection 9.1(f) shall occur, the entire unpaid Debt shall be automatically due and payable, without any further notice, demand or other action by Lender.

10.2 APPLICATION OF PROCEEDS. The purchase money, proceeds and avails of any disposition of the Property, or any part thereof, or any other sums collected by Lender pursuant to the Note, this Security Instrument or the other Loan Documents, may be applied by Lender to the payment of the Debt in such priority and proportions as Lender in its discretion shall deem proper, with the remainder, if any, to be disbursed to Borrower or to the person or persons legally entitled thereto in accordance with the requirements of Applicable Law.

10.3 RIGHT TO CURE DEFAULTS. Upon the occurrence of any Event of Default, Lender may, but without any obligation to do so and without notice to or demand on Borrower and without releasing Borrower from any obligation hereunder or curing or being deemed to have cured any default hereunder, make or do the same in such manner and to such extent as Lender may deem necessary to protect the security hereof. Lender is authorized to enter upon the Property for such purposes, or appear in, defend, or bring any action or proceeding to protect its interest in the Property or to foreclose this Security Instrument or collect the Debt, and the cost and expense thereof (including reasonable attorneys' fees to the extent permitted by law), with interest as provided in this Section 10.3, shall constitute a portion of the Debt and shall be due and payable to Lender upon demand. All such costs and expenses incurred by Lender in remedying such Event of Default or such failed payment or act or in appearing in, defending, or bringing any such action or proceeding shall bear interest at the Default Rate (as defined in the Note), for the period after notice from Lender that such cost or expense was incurred to the date of payment to Lender. All such costs and expenses incurred by Lender together with interest thereon calculated at the Default Rate shall be deemed to constitute a portion of the Debt and be secured by this Security Instrument and the other Loan Documents and shall be immediately due and payable upon demand by Lender therefor.

10.4 ACTIONS AND PROCEEDINGS. Lender has the right to appear in and defend any action or proceeding brought with respect to the Property and to bring any action or proceeding, in the name and on behalf of Borrower, which Lender, in its discretion, decides should be brought to protect its interest in the Property.

10.5 RECOVERY OF SUMS REQUIRED TO BE PAID. Lender shall have the right from time to time to take action to recover any sum or sums which constitute a part of the Debt as the same become due, without regard to whether or not the balance of the Debt shall be due, and without prejudice to the right of Lender thereafter to bring an action of foreclosure, or any other action, for a default or defaults by Borrower existing at the time such earlier action was commenced.

10.6 EXAMINATION OF BOOKS AND RECORDS. Lender, its agents, accountants and attorneys shall have the right to examine the records, books, management and other papers of Borrower which reflect upon its financial condition, at the Property or at any other office where the books and records are located. Lender and its agents shall have the right to make copies and extracts from the foregoing records and other papers. In addition, Lender, its agents, accountants and attorneys shall have the right to examine and audit the books and records of Borrower pertaining to the income, expenses and operation of the Property during reasonable business hours at any office of Borrower where the books and records are located. This Section 10.6 shall apply throughout the term of the Note and without regard to whether an Event of Default has occurred or is continuing.

Lender shall bear the cost of any examination, audit or copying under this Section 10.6 unless such actions are taken in connection with an Event of Default.

10.7 OTHER RIGHTS, ETC. (a) The failure of Lender to insist upon strict performance of any term hereof shall not be deemed to be a waiver of any term of this Security Instrument. Borrower shall not be relieved of Borrower's obligations hereunder by reason of (i) the failure of Lender to comply with any request of Borrower, any Guarantor or any Indemnitor to take any action to foreclose this Security Instrument or otherwise enforce any of the provisions hereof or of the Note or the other Loan Documents, (ii) the release, regardless of consideration, of the whole or any part of the Property, or of any person liable for the Debt or any portion thereof, or (iii) any agreement or stipulation by Lender extending the time of payment or otherwise modifying or supplementing the terms of the Note, this Security Instrument or the other Loan Documents.

(b) It is agreed that the risk of loss or damage to the Property is on Borrower, and Lender shall have no liability whatsoever for decline in value of the Property, for failure to maintain the Policies, or for failure to determine whether insurance in force is adequate as to the amount of risks insured. Possession by Lender shall not be deemed an election of judicial relief, if any such possession is requested or obtained, with respect to any Property or collateral not in Lender's possession.

(c) Lender may resort for the payment of the Debt to any other security held by Lender in such order and manner as Lender, in its discretion, may elect. Lender may take action to recover the Debt, or any portion thereof, or to enforce any covenant hereof without prejudice to the right of Lender thereafter to foreclose this Security Instrument. The rights of Lender under this Security Instrument shall be separate, distinct and cumulative and none shall be given effect to the exclusion of the others. No act of Lender shall be construed as an election to proceed under any one provision herein to the exclusion of any other provision. Lender shall not be limited exclusively to the rights and remedies herein stated but shall be entitled to every right and remedy now or hereafter afforded at law or in equity.

10.8 RIGHT TO RELEASE ANY PORTION OF THE PROPERTY. Lender may release any portion of the Property for such consideration as Lender may require without, as to the remainder of the Property, in any way impairing or affecting the lien or priority of this Security Instrument, or improving the position of any subordinate lienholder with respect thereto, except to the extent that the obligations hereunder shall have been reduced by the actual monetary consideration, if any, received by Lender for such release, and may accept by assignment, pledge or otherwise any other property in place thereof as Lender may require without being accountable for so doing to any other lienholder. This Security Instrument shall continue as a lien and security interest in the remaining portion of the Property.

10.9 INTENTIONALLY DELETED.

10.10 RECOURSE AND CHOICE OF REMEDIES. Notwithstanding any other provision of this Security Instrument, including but not limited to Article 13 hereof, Lender and other Indemnified Parties (defined in Section 11.1 below) are entitled to enforce the obligations of Borrower, Guarantor and Indemnitor contained in Sections 11.2 and 11.3 without first resorting to or exhausting any security or collateral and without first having recourse to the Note or any of the Property, through foreclosure or acceptance of a deed in lieu of foreclosure or otherwise, and in the event Lender commences a foreclosure action against the Property, Lender is entitled to pursue a deficiency judgment with respect to such obligations against Borrower, Guarantor and Indemnitor. The provisions of Sections 11.2 and 11.3 are exceptions to any non-recourse or exculpation provisions in the Note, this Security Instrument or the other Loan Documents, and Borrower, Guarantor and Indemnitor are fully and personally liable for the obligations pursuant to Sections 11.2 and 11.3. The liability of Borrower, Guarantor and Indemnitor for the obligations pursuant to Sections 11.2 and 11.3 are not limited to the original principal amount of the Note. Notwithstanding the foregoing, nothing herein shall inhibit or prevent Lender from foreclosing pursuant to this Security Instrument or exercising any other rights and remedies pursuant

to the Note, this Security Instrument and the other Loan Documents, whether simultaneously with foreclosure proceedings or in any other sequence. A separate action or actions may be brought and prosecuted against Borrower, whether or not action is brought against any other person or entity or whether or not any other person or entity is joined in the action or actions.

10.11 RIGHT OF ENTRY. Lender and its agents shall have the right to enter and inspect the Property at all reasonable times.

10.12 DEFAULT INTEREST AND LATE CHARGES. Borrower acknowledges that, without limitation to any of Lender's rights or remedies set forth in this Security Instrument, Lender has the right following an Event of Default to demand interest on the principal amount of the Note at the Default Rate and late payment charges in accordance with the terms of the Note.

11 - INDEMNIFICATION

11.1 GENERAL INDEMNIFICATION. Borrower shall, at its sole cost and expense, protect, defend, indemnify, release and hold harmless the Indemnified Parties for, from and against any and all claims, suits, liabilities (including, without limitation, strict liabilities), actions, proceedings, obligations, debts, damages, losses, costs, expenses, diminutions in value, fines, penalties, charges, fees, expenses, judgments, awards, amounts paid in settlement, punitive damages, foreseeable and unforeseeable consequential damages, of whatever kind or nature (including but not limited to attorneys' fees and other costs of defense) (the "Losses") imposed upon or incurred by or asserted against any Indemnified Parties and directly or indirectly arising out of or in any way relating to any one or more of the following, except to the extent the following relate solely to an Indemnified Party's gross negligence or willful misconduct: (a) any Event of Default; (b) any and all lawful action that may be taken by Lender in connection with the enforcement of the provisions of this Security Instrument or the Note or any of the other Loan Documents, whether or not suit is filed in connection with same, or in connection with Borrower, any Guarantor or Indemnitor becoming a party to a voluntary or involuntary federal or state bankruptcy, insolvency or similar proceeding; (c) any accident, injury to or death of persons or loss of or damage to property occurring in, on or about the Property or any part thereof or on the adjoining sidewalks, curbs, adjacent property or adjacent parking areas, streets or ways; (d) any use, nonuse or condition in, on or about the Property or any part thereof; (e) any failure on the part of Borrower to perform or be in compliance with any of the terms of this Security Instrument; (f) the failure of any person to file timely with the Internal Revenue Service an accurate Form 1099-B, Statement for Recipients of Proceeds from Real Estate, Broker and Barter Exchange Transactions, which may be required in connection with the Security Instrument, or to supply a copy thereof in a timely fashion to the recipient of the proceeds of the transaction in connection with which this Security Instrument is made; (g) any failure of the Property to be in compliance with any Applicable Laws; (h) the enforcement by any Indemnified Party of the provisions of this Article 11; (i) the payment of any commission, charge or brokerage fee to anyone which may be payable by any party other than Lender in connection with the funding of the Loan; or (j) any misrepresentation made by Borrower in this Security Instrument or any other Loan Document. Any amounts payable to Lender by reason of the application of this Section 11.1 shall become immediately due and payable and shall bear interest at the Default Rate from the date loss or damage is sustained by Lender until paid. For purposes of this Article 11, the term "Indemnified Parties" means Lender and any person or entity who is or will have been involved in the origination of the Loan, any person or entity who is or will have been involved in the servicing of the Loan, any person or entity in whose name the encumbrance created by this Security Instrument is or will have been recorded and persons and entities who may hold or acquire or will have held a full or partial interest in the Loan, including, but not limited to, custodians, trustees and other fiduciaries who hold or have held a full or partial interest in the Loan.

11.2 MORTGAGE AND/OR INTANGIBLE TAX. Borrower shall, at its sole cost and expense, protect, defend, indemnify, release and hold harmless the Indemnified Parties from and against any and all Losses imposed upon or incurred by or asserted against any Indemnified Parties and directly or indirectly arising out of

or in any way relating to any tax on the making and/or recording of this Security Instrument, the Note or any of the other Loan Documents.

11.3 ERISA INDEMNIFICATION. Borrower shall, at its sole cost and expense, protect, defend, indemnify, release and hold harmless the Indemnified Parties from and against any and all Losses (including, without limitation, attorneys' fees and costs incurred in the investigation, defense, and settlement of Losses incurred in correcting any prohibited transaction or in the sale of a prohibited loan, and in obtaining any individual prohibited transaction exemption under ERISA that may be required, in Lender's sole discretion) that Lender may incur, directly or indirectly, as a result of a default under Section 5.9.

11.4 DUTY TO DEFEND; ATTORNEYS' FEES AND OTHER FEES AND EXPENSES. Upon written request by any Indemnified Party, Borrower shall defend such Indemnified Party (if requested by any Indemnified Party, in the name of the Indemnified Party) by attorneys and other professionals approved by the Indemnified Parties. Notwithstanding the foregoing, any Indemnified Parties may, in their sole and absolute discretion, engage their own attorneys and other professionals to defend or assist them, and, at the option of Indemnified Parties, their attorneys shall control the resolution of claim or proceeding. Upon demand, Borrower shall pay or, in the sole and absolute discretion of the Indemnified Parties, reimburse, the Indemnified Parties for the payment of reasonable fees and disbursements of attorneys, engineers, environmental consultants, laboratories and other professionals in connection therewith.

12 - WAIVERS

12.1 WAIVER OF COUNTERCLAIM. Borrower hereby waives the right to assert a counterclaim, other than a mandatory or compulsory counterclaim, in any action or proceeding brought against it by Lender arising out of or in any way connected with this Security Instrument, the Note, any of the other Loan Documents, or the Obligations. Any assignee of Lender's interest in this Security Instrument and the other Loan Documents shall take the same free and clear of all offsets, counterclaims or defenses which are unrelated to such documents which Borrower may otherwise have against any assignor of such documents, and no such unrelated counterclaim or defense shall be interposed or asserted by Borrower in any action or proceeding brought by any such assignee upon such documents, and any such rights to interpose or assert any such unrelated offset, counterclaim or defense in any such action or proceeding is hereby expressly waived by Borrower.

12.2 MARSHALLING AND OTHER MATTERS. Borrower hereby waives, to the extent permitted by law, the benefit of all appraisal, valuation, stay, extension, reinstatement and redemption laws now or hereafter in force and all rights of marshalling in the event of any sale hereunder of the Property or any part thereof or any interest therein. Further, Borrower hereby expressly waives any and all rights of redemption from sale under any order or decree of foreclosure of this Security Instrument on behalf of Borrower, and on behalf of each and every person acquiring any interest in or title to the Property subsequent to the date of this Security Instrument and on behalf of all persons to the extent permitted by applicable law.

12.3 WAIVER OF NOTICE. Borrower shall not be entitled to any notices of any nature whatsoever from Lender except with respect to matters for which this Security Instrument specifically and expressly provides for the giving of notice by Lender to Borrower and except with respect to matters for which Lender is required by applicable law to give notice, and Borrower hereby expressly waives the right to receive any notice from Lender with respect to any matter for which this Security Instrument does not specifically and expressly provide for the giving of notice by Lender to Borrower.

12.4 SOLE DISCRETION OF LENDER. Wherever pursuant to this Security Instrument (a) Lender exercises any right given to it to approve or disapprove, (b) any arrangement or term is to be satisfactory to Lender, or (c) any other decision or determination is to be made by Lender, the decision of Lender to approve or disapprove, all decisions that arrangements or terms are satisfactory or not satisfactory and all other decisions

and determinations made by Lender, shall be in the sole and absolute discretion of Lender and shall be final and conclusive, except as may be otherwise expressly and specifically provided herein.

12.5 SURVIVAL. The indemnifications made pursuant to Article 11 shall continue indefinitely in full force and effect and shall survive and shall in no way be impaired by: any satisfaction or other termination of this Security Instrument, any assignment or other transfer of all or any portion of this Security Instrument or Lender's interest in the Property (but, in such case, shall benefit both Indemnified Parties and any assignee or transferee), any exercise of Lender's rights and remedies pursuant hereto including but not limited to foreclosure or acceptance of a deed in lieu of foreclosure, any exercise of any rights and remedies pursuant to the Note or any of the other Loan Documents, any transfer of all or any portion of the Property (whether by Borrower or by Lender following foreclosure or acceptance of a deed in lieu of foreclosure or at any other time), any amendment to this Security Instrument, the Note or the other Loan Documents, and any act or omission that might otherwise be construed as a release or discharge of Borrower from the obligations pursuant hereto.

12.6 WAIVER OF TRIAL BY JURY. BORROWER HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, THE RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER IN CONTRACT, TORT OR OTHERWISE, RELATING DIRECTLY OR INDIRECTLY TO THE LOAN, THE APPLICATION FOR THE LOAN, THE NOTE, THIS SECURITY INSTRUMENT OR THE OTHER LOAN DOCUMENTS OR ANY ACTS OR OMISSIONS OF LENDER, ITS OFFICERS, EMPLOYEES, DIRECTORS OR AGENTS IN CONNECTION THEREWITH.

13 - EXCULPATION

13.1 EXCULPATION. Except as otherwise provided in Section 13.1 below, in the Note or in the other Loan Documents, Lender shall not enforce the liability and obligation of Borrower to perform and observe the obligations contained in the Note or this Security Instrument by any action or proceeding wherein a money judgment shall be sought against Borrower (or against its general partners, without regard to the provisions of Section 13.1 below), except that Lender may sell the Property under any power of sale or right of non-judicial foreclosure or bring a foreclosure action, confirmation action, action for specific performance or other appropriate action or proceeding to enable Lender to enforce and realize upon the Note, this Security Instrument, the other Loan Documents, and the interest in the Property, the Rents and any other collateral given to Lender created by the Note, this Security Instrument and the other Loan Documents; provided, however, that any judgment in any such action or proceeding shall be enforceable against Borrower (but not the general partners of Borrower) only to the extent of Borrower's interest in the Property, in the Rents and in any other collateral given to Lender. Lender, by accepting the Note and this Security Instrument, agrees that it shall not, except as otherwise provided in Section 10.10, sue for, seek or demand any deficiency judgment against Borrower or its general partners in any such action or proceeding, under or by reason of or under or in connection with the Note, the other Loan Documents or this Security Instrument.

13.2 RESERVATION OF CERTAIN RIGHTS. The provisions of Section 13.1 shall not, however, (a) constitute a waiver, release or impairment of any obligation evidenced or secured by the Note, the other Loan Documents or this Security Instrument; (b) Intentionally Deleted; (c) impair the right of Lender to name Borrower as a party defendant in any action or suit for judicial foreclosure and sale under this Security Instrument; (d) affect the validity or enforceability of any indemnity, guaranty, master lease or similar instrument made in connection with the Note, this Security Instrument, or the other Loan Documents; (e) impair the right of Lender to obtain the appointment of a receiver; (f) impair the enforcement of the Assignment of Leases and Rents executed in connection herewith; (g) impair the right of Lender to obtain a deficiency judgment or judgment on the Note against Borrower if necessary to obtain any insurance proceeds or condemnation awards to which Lender would otherwise be entitled under this Security Instrument, provided, however, Lender shall only enforce such

judgment against the insurance proceeds and/or condemnation awards; or (h) impair the right of Lender to enforce the provisions of Sections 10.10, 11.2 and 11.3 of this Security Instrument.

13.3 EXCEPTIONS TO EXCULPATION. Notwithstanding the provisions of this Article to the contrary, Borrower shall be personally liable to Lender for the Losses it incurs due to: (i) fraud or intentional, material misrepresentation by Borrower, SCOLP, or any of their agents, principals, officers or employees, (ii) Borrower's misapplication or misappropriation of insurance proceeds, condemnation awards, or tenant security deposits, if, and to the extent Borrower or its agents have the right and ability to control the disbursement of such proceeds, awards or deposit; (iii) Rents received by Borrower after the occurrence of an Event of Default, provided that such Rents (y) are not applied towards either the Monthly Payment or the ordinary and necessary operating expenses of the Property and Borrower has provided Lender with evidence of same in a form acceptable to Lender, or (z) are paid to Lender, (iv) so long as Borrower has possession and control of the Property, Borrower's failure to pay (except to the extent that sums sufficient to pay such amounts have been deposited in escrow with Lender pursuant to the terms of this Security Instrument) Taxes or other liens with priority over Lender's lien on the Property or other liens established under the Loan Documents, to the extent funds are available from the operation of the Property for such purpose, or from escrow deposits made to Lender for such purpose (regardless of whether Lender uses such funds to pay such Taxes or other liens), (v) damage to the Property arising from (y) the intentional misconduct or gross negligence of Borrower, SCOLP, or any of their principals, officers, agents or employees, or (z) any removal of the Property in violation of the Loan Documents, (vi) Borrower's or any other Indemnitor's failure to comply with the provisions of the Environmental Indemnity; (vii) the nonpayment of any documentary stamp tax or intangible tax due on the Assigned Note, the Assigned Mortgage, the Note or this Security Instrument.

13.4 RECOURSE. Notwithstanding the foregoing, the agreement of Lender not to pursue recourse liability as set forth in Section 13.1 above SHALL BECOME NULL AND VOID and shall be of no further force and effect (i) in the event of Borrower's default under Sections 4.2 or 8.2 of this Security Instrument, or (ii) if the Property or any part thereof shall become an asset in (1) a voluntary bankruptcy or insolvency proceeding, or (2) an involuntary bankruptcy or insolvency proceeding (A) which is commenced by any party controlling, controlled by or under common control with Borrower (which shall include, but not be limited to, any creditor or claimant acting in concert with Borrower or any the foregoing parties) (the "Borrowing Group") or (B) in which any member of the Borrowing Group objects to a motion by Lender for relief from any stay or injunction from the foreclosure of this Security Instrument or any other remedial action permitted hereunder or under the Note or the other Loan Documents.

13.5 BANKRUPTCY CLAIMS. Nothing herein shall be deemed to be a waiver of any right which Lender may have under Sections 506(a), 506(b), 1111(b) or any other provisions of the Bankruptcy Code to file a claim for the full amount of the Debt or to require that all collateral shall continue to secure all of the Debt owing to Lender in accordance with the Note, this Security Instrument and the other Loan Documents.

14 - NOTICES

14.1 NOTICES. All notices or other written communications hereunder shall be deemed to have been properly given (i) upon delivery, if delivered in person, (ii) one (1) Business Day (defined below) after having been deposited for overnight delivery with any reputable overnight courier service, or (iii) three (3) Business Days after having been deposited in any post office or mail depository regularly maintained by the U.S. Postal Service and sent by registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

If to Borrower: Miami Lakes Venture Associates
27777 Franklin Road, Suite 200
Southfield, Michigan 48034
Attention: Jonathan M. Colman

With a copy to: Jaffe, Raitt, Heuer & Weiss, P.C.
27777 Franklin Road, Suite 2500
Southfield, Michigan 48034
Attention: Arthur A. Weiss

If to Lender: Lehman Brothers Bank, FSB
399 Park Avenue, 8th Floor
New York, New York 10022
Attention: John Herman

With a copy to: Stroock & Stroock & Lavan LLP
180 Maiden Lane
New York, New York 10038
Attention: William Campbell, Esq.

or addressed as such party may from time to time designate by written notice to the other parties.

Either party by notice to the other may designate additional or different addresses for subsequent notices or communications.

For purposes of this Subsection, "Business Day" shall mean a day on which commercial banks are not authorized or required by law to close in New York, New York.

15 - APPLICABLE LAW

15.1 CHOICE OF LAW. This Security Instrument shall be governed, construed, applied and enforced in accordance with the laws of the state in which the Property is located and the applicable laws of the United States of America.

15.2 USURY LAWS. This Security Instrument and the Note are subject to the express condition that at no time shall Borrower be obligated or required to pay interest on the Debt at a rate which could subject the holder of the Note to either civil or criminal liability as a result of being in excess of the maximum interest rate which Borrower is permitted by applicable law to contract or agree to pay. If by the terms of this Security Instrument or the Note, Borrower is at any time required or obligated to pay interest on the Debt at a rate in excess of such maximum rate, the rate of interest under the Security Instrument and the Note shall be deemed to be immediately reduced to such maximum rate and the interest payable shall be computed at such maximum rate and all prior interest payments in excess of such maximum rate shall be applied and shall be deemed to have been payments in reduction of the principal balance of the Note. All sums paid or agreed to be paid to Lender for the use, forbearance, or detention of the Debt shall, to the extent permitted by applicable law, be amortized, prorated, allocated, and spread throughout the full stated term of the Note until payment in full so that the rate or amount of interest on account of the Debt does not exceed the maximum lawful rate of interest from time to time in effect and applicable to the Debt for so long as the Debt is outstanding.

15.3 PROVISIONS SUBJECT TO APPLICABLE LAW.

All rights, powers and remedies provided in this Security Instrument may be exercised only to the extent that the exercise thereof does not violate any applicable provisions of law and are intended to be limited to the extent necessary so that they will not render this Security Instrument invalid, unenforceable or not entitled to be recorded, registered or filed under the provisions of any applicable law. If any term of this Security Instrument or any application thereof shall be invalid or unenforceable, the remainder of this Security Instrument and any other application of the term shall not be affected thereby.

16 - SECONDARY MARKET

16.1 TRANSFER OF LOAN.

Lender may, at any time, sell, transfer or assign the Note, this Security Instrument and the other Loan Documents, and any or all servicing rights with respect thereto, or grant participations therein or issue mortgage pass-through certificates or other securities (the "Securities") evidencing a beneficial interest in a rated or unrated public offering or private placement (such process, a "Securitization"). Lender may forward to each purchaser, transferee, assignee, servicer, participant, investor in such Securities or any rating agency (a "Rating Agency") rating such Securities (all of the foregoing entities collectively referred to as the "Investor") and each prospective Investor, all documents and information which Lender now has or may hereafter acquire relating to the Debt and to Borrower, any Guarantor, any Indemnitor and the Property, whether furnished by Borrower, any Guarantor, any Indemnitor or otherwise, as Lender determines necessary or desirable. Borrower shall promptly furnish and Borrower, any Guarantor and any Indemnitor consent to Lender furnishing to such Investors or such prospective Investors or Rating Agency any and all available information concerning the Property, the Leases, the financial condition of Borrower, any Guarantor and any Indemnitor as may be reasonably requested by Lender, any Investor or any prospective Investor or Rating Agency (including, but not limited to, copies of information previously supplied to Lender) in connection with any sale, transfer or participation interest. In addition to any other obligations Borrower may have under this Section 16.1, Borrower, SCOLP and any Guarantor or Indemnitor agree to cooperate with Lender and its Affiliates in connection with any transfer made or any Securities created pursuant to this Section, including: (a) making or causing to be made changes or modifications to (i) the Loan Documents, including (1) bifurcating the Note into two or more notes and/or splitting this Security Instrument into two or more mortgages, deeds of trust or deeds to secure debt (as the case may be) of the same or different priorities or otherwise as determined by and acceptable to Lender or (2) dividing the Note into multiple components corresponding to tranches of certificates to be issued in a Securitization each having a notional balance and an interest rate determined by Lender; provided, however, (1) in the event any new promissory notes evidencing the Loan are prepared and executed in connection with such a separation, Lender shall promptly return the original Note to Borrower and (2) Borrower shall not be required to modify or amend any Loan Document if the overall effect of such modification or amendment would (x) except as the result of an Event of Default and the acceleration of the Loan, change the weighted average interest rate, the maturity, the application of payments or the amortization of principal set forth in the Note, (y) modify or amend any other term of the Note or the other Loan Documents in a manner adverse to Borrower in any material respect, or (z) modify the manner in which Borrower and/or its Affiliates operate the Property or conduct their business operations, (ii) the organizational documents of Borrower and each Affiliate of Borrower required to be a Special Purpose Entity pursuant to the terms of this Security Instrument, (iii) any customary opinion letters, and (iv) other documentation as may be requested by Lender or a Rating Agency; (b) obtaining ratings from two or more Rating Agencies; (c) reviewing sections specifically identified by Lender of prepared offering materials relating to the Property, Borrower, SCOLP, any Guarantor or Indemnitor, and making certain representations and warranties as may be reasonably requested by Lender with regard to such specifically identified sections of offering materials, and consistent with the facts covered by such representations and warranties as they exist on the date thereof; provided, however, such obligation shall not create any obligation on the part of Borrower to update the effective date of any representations made by Borrower in connection with the origination of the Loan; (d) promptly delivering updated information on Borrower, SCOLP, any Guarantor or Indemnitor and the Property; (e) participating (including senior management of Borrower, SCOLP and any Guarantor or Indemnitor) in bank, Rating Agency or investor meetings if requested by Lender; and (f) providing Lender and its Affiliates with

customary indemnifications regarding misstatements or omissions of material facts. Notwithstanding the foregoing, Borrower shall not be required to incur any costs of Lender or any other party that is not an Affiliate of Borrower in connection with the cooperation of Borrower, SCOLP and any Guarantor or Indemnitor contemplated by this Section 16.1.

17 - COSTS

17.1 PERFORMANCE AT BORROWER'S EXPENSE. Borrower acknowledges and confirms that Lender shall be entitled to impose certain administrative processing and/or commitment fees in connection with: (a) extensions, renewals, modifications, amendments and terminations of the Loan Documents requested by Borrower, and (b) the release or substitution of collateral for the Loan requested by Borrower, and that Lender shall be entitled to reimbursement for its reasonable out-of-pocket costs and expenses associated with its provision of consents, waivers and approvals under the Loan Documents (the occurrence of any of the above shall be called an "Event"). Borrower further acknowledges and confirms that it shall be responsible for the payment of all costs of reappraisal of the Property or any part thereof, which are required by law, regulation or any governmental or quasi-governmental authority. Borrower hereby acknowledges and agrees to pay, immediately, upon demand, all such fees, costs and expenses.

17.2 ATTORNEY'S FEES FOR ENFORCEMENT. (a) Borrower shall pay all reasonable legal fees incurred by Lender in connection with the preparation of the Note, this Security Instrument and the other Loan Documents, and (b) Borrower shall pay to Lender on demand any and all expenses, including legal expenses and attorneys' fees, incurred or paid by Lender in protecting its interest in the Property or in collecting any amount payable hereunder or in enforcing its rights hereunder with respect to the Property, whether or not any legal proceeding is commenced hereunder or thereunder and whether or not any default or Event of Default shall have occurred and is continuing, together with interest thereon at the Default Rate from the date paid or incurred by Lender until such expenses are paid by Borrower.

18 - DEFINITIONS

18.1 GENERAL DEFINITIONS. Unless the context clearly indicates a contrary intent or unless otherwise specifically provided herein, words used in this Security Instrument may be used interchangeably in singular or plural form and the word "Borrower", in addition to the meaning given to such term in the opening paragraph of this Security Instrument, shall also mean "each Borrower and any subsequent owner or owners of the Property or any part thereof or any interest therein," the word "Lender", in addition to the meaning given to such term in the opening paragraph of this Security Instrument, shall also mean "Lender, its servicer and any subsequent holder of the Note," the word "Note", in addition to the meaning given to such term in the Recital paragraph of this Security Instrument, shall also mean "the Note and any other evidence of indebtedness secured by this Security Instrument," the word "person" shall include an individual, corporation, partnership, limited liability company, trust, unincorporated association, government, governmental authority, and any other entity, the word "Property" shall include any portion of the Property and any interest therein, and the phrases "attorneys' fees", "legal fees" and "counsel fees" shall include any and all reasonable attorneys', paralegal and law clerk fees and disbursements, including, but not limited to, fees and disbursements at the pre-trial, trial and appellate levels incurred or paid by Lender in protecting its interest in the Property, the Leases and the Rents and enforcing its rights hereunder. The terms "include(s)" and "including" shall mean "include(s), without limitation" and "including, without limitation", respectively.

19 - MISCELLANEOUS PROVISIONS

19.1 NO ORAL CHANGE. This Security Instrument, and any provisions hereof, may not be modified, amended, waived, extended, changed, discharged or terminated orally or by any act or failure to act on

the part of Borrower or Lender, but only by an agreement in writing signed by the party against whom enforcement of any modification, amendment, waiver, extension, change, discharge or termination is sought.

19.2 LIABILITY. If Borrower consists of more than one person, the obligations and liabilities of each such person hereunder shall be joint and several. This Security Instrument shall be binding upon and inure to the benefit of Borrower and Lender and their respective successors and assigns forever.

19.3 INAPPLICABLE PROVISIONS. If any term, covenant or condition of the Note or this Security Instrument is held to be invalid, illegal or unenforceable in any respect, the Note and this Security Instrument shall be construed without such provision.

19.4 HEADINGS, ETC. The headings and captions of various Sections of this Security Instrument are for convenience of reference only and are not to be construed as defining or limiting, in any way, the scope or intent of the provisions hereof.

19.5 DUPLICATE ORIGINALS; COUNTERPARTS. This Security Instrument may be executed in any number of duplicate originals and each duplicate original shall be deemed to be an original. This Security Instrument may be executed in several counterparts, each of which counterparts shall be deemed an original instrument and all of which together shall constitute a single Security Instrument. The failure of any party hereto to execute this Security Instrument, or any counterpart hereof, shall not relieve the other signatories from their obligations hereunder.

19.6 NUMBER AND GENDER. Whenever the context may require, any pronouns used herein shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns and pronouns shall include the plural and vice versa.

19.7 SUBROGATION. If any or all of the proceeds of the Note have been used to extinguish, extend or renew any indebtedness heretofore existing against the Property, then, to the extent of the funds so used, Lender shall be subrogated to all of the rights, claims, liens, titles, and interests existing against the Property heretofore held by, or in favor of, the holder of such indebtedness and such former rights, claims, liens, titles, and interests, if any, are not waived but rather are continued in full force and effect in favor of Lender and are merged with the lien and security interest created herein as cumulative security for the payment and performance of the Obligations.

19.8 BROKERS. Borrower agrees to pay and to indemnify and hold Lender harmless from any all loss, cost or expense (including attorneys' fees and expenses) arising from the claims of any brokers or anyone claiming a right to any fees in connection with the financing of the Property. Notwithstanding the foregoing, Borrower acknowledges that Lender or its affiliates may have a contractual relationship with the broker, if any, that arranged the Loan on Borrower's behalf, and that such broker may be entitled to fees from Lender or its affiliates in connection with the origination, closing or servicing of the Loan, which fees shall be in addition to any brokerage fees owed by Borrower to such broker. Borrower shall not be responsible for any such additional fees. Borrower acknowledges and agrees that it has made and will make such inquiries of the broker, if any, that arranged the Loan with respect to the nature or existence of such arrangement. No agreement by Lender to pay any such fees or compensation to such broker (if any) shall be binding upon Lender unless it is set forth in separate written instrument that has been duly executed by Lender and such broker.

19.9 ENTIRE AGREEMENT. The Note, this Security Instrument and the other Loan Documents constitute the entire understanding and agreement between Borrower and Lender with respect to the transactions arising in connection with the Debt and supersede all prior written or oral understandings and agreements between Borrower and Lender with respect thereto. Borrower hereby acknowledges that, except as incorporated in writing in the Note, this Security Instrument and the other Loan Documents, there are not, and

were not, and no persons are or were authorized by Lender to make, any representations, understandings, stipulations, agreements or promises, oral or written, with respect to the transaction which is the subject of the Note, this Security Instrument and the other Loan Documents.

20 - STATE SPECIFIC PROVISIONS

20.1 FUTURE ADVANCES. Borrower acknowledges that the intent hereof to secure payment of the Debt and the performance of all obligations under the Note and the Other Obligations whether the entire amount shall have been advanced to the Borrower at the date hereof, or at a later date, and to secure any other amount or amounts that may be added to the indebtedness secured hereby under the terms of this Security Instrument. The total amount of the principal indebtedness secured hereby may decrease or increase from time to time, but the total unpaid balance so secured at any one time shall not exceed an amount equal to ONE HUNDRED EIGHT MILLION AND NO/100 DOLLARS (\$108,000,000.00) in principal plus interest thereon and any disbursements made for the payment of taxes, levies, or insurance on the property with interest thereon. This Security Instrument shall secure any and all additional or further monies which may be advanced by Lender to the Borrower after the date hereof, which future advances of money, if made, may be evidenced by a note or notes executed by the Borrower to the Lender bearing such rate of interest and with such maturities as shall be determined from time to time, but any and all such future advances secured by this Security Instrument shall be made not more than twenty (20) years after the date hereof. Nothing herein contained shall be deemed an obligation on the part of the Lender to make any future advances.

20.2 CONFLICTING PROVISIONS. The provisions of this Article are intended to supplement, and not limit, the other provisions of this Security Instrument; provided, however, that in the event the provisions of this Article contradict any other provision of this Security Instrument, the provisions of this Article shall govern.

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IN WITNESS WHEREOF, THIS SECURITY INSTRUMENT has been executed by Borrower and Lender as of the day and year first above written.

BORROWER:

MIAMI LAKES VENTURE ASSOCIATES, a Florida
general partnership

By: Miami Lakes GP One LLC, a Michigan limited liability company, its general partner

By: Miami Lakes QRS, Inc., a Michigan corporation, its managing member

By: _____
Jonathan M. Colman
Its: Executive Vice President

By: Miami Lakes GP Two LLC, a Michigan limited liability company, its general partner

By: Miami Lakes QRS, Inc., a Michigan corporation, its managing member

By: _____
Jonathan M. Colman
Its: Executive Vice President

WITNESS AS TO SIGNATURES:

Print Name: _____

Print Name: _____

ACKNOWLEDGEMENTS

STATE OF _____)
)ss:
COUNTY OF _____)

The foregoing instrument was acknowledged before me this ____ day of November, 2006 by Jonathan M. Colman, as Executive Vice President of Miami Lakes QRS, Inc., a Michigan corporation, the managing member of Miami Lakes GP One LLC, a Michigan limited liability company, a general partner of Miami Lakes Venture Associates, a Florida general partnership, on behalf of said corporation, limited liability company, and general partnership. He/she is personally known to me or has produced a _____ as identification.

Print Name: _____
Title: _____
Commission No. _____ (if any)

My Commission Expires: _____

STATE OF _____)
)ss:
COUNTY OF _____)

The foregoing instrument was acknowledged before me this ____ day of November, 2006 by Jonathan M. Colman, as Executive Vice President of Miami Lakes QRS, Inc., a Michigan corporation, the managing member of Miami Lakes GP Two LLC, a Michigan limited liability company, a general partner of Miami Lakes Venture Associates, a Florida general partnership, on behalf of said corporation, limited liability company, and general partnership. He/she is personally known to me or has produced a _____ as identification.

Print Name: _____
Title: _____
Commission No. _____ (if any)

My Commission Expires: _____

EXHIBIT A

(Description of Land)

EXHIBIT B

REPLACEMENT RESERVE AND LEASING RESERVE REQUIREMENTS

1. Defined Terms.

All capitalized terms used herein and not defined in this Security Instrument shall have the meanings set forth in Section 7 of this Exhibit B. To the extent any Reserve Deposit is assigned the meaning "none" in the Reserve Letter, the provisions set forth in this Exhibit B specifically relating to the making or application of such Reserve Deposits shall be disregarded.

2. Reserve Deposits.

(a) Concurrently with the execution of this Security Instrument, Borrower shall deposit with Lender the Deferred Maintenance Deposit. The Deferred Maintenance Deposit shall be applied as provided in Section 4.1 of this Exhibit B.

(b) On each date that a regularly scheduled payment of principal or interest is due under the Note, Borrower shall be required to make a Monthly Deposit. Notwithstanding anything contained herein to the contrary, no Monthly Deposit shall be required unless an Event of Default shall have occurred.

(c) Lender shall deposit each Monthly Deposit, as received, in an escrow account (the "Reserve"). Out of each Monthly Deposit, the Monthly Replacement Account Deposit shall be allocated to an account (the "Replacement Account") for the payment of Replacements and the Monthly Leasing Account Deposit shall be allocated to an account (the "Leasing Account") for the payment of Tenant Improvements and Leasing Commissions (as defined below) in conjunction with Leases (as hereinafter defined).

(d) Lender shall maintain a record of all deposits into and withdrawals from the Reserve and their allocation to the Replacement Account and the Leasing Account. Lender or a designated representative of Lender shall have the sole right to make withdrawals from such account.

3. Disbursements.

(a) Provided no Event of Default exists, Lender shall make disbursements of funds available in the Replacement Account to reimburse Borrower for Replacements.

(b) Provided no Event of Default exists, Lender shall make disbursements of funds in the Leasing Account to reimburse Borrower for the cost of (i) tenant improvements required under any Lease (collectively, the "Tenant Improvements"); and (ii) leasing commissions incurred by Borrower in connection with any Lease, provided that (x) such leasing commissions are reasonable and customary for properties similar to the Property and the portion of the Property for which such leasing commission is due, (y) the amount of such leasing commissions are determined pursuant to arms length transactions between Borrower and any leasing agent to which a leasing commission is due, and excluding any leasing commissions which shall be due any general partner, or shareholder of Borrower or any affiliate of Borrower and (z) the tenant under the related Lease shall have taken occupancy of its entire leased premises and commenced the payment of its entire base minimum rent (collectively, "Leasing Commissions").

(c) Lender shall, upon written request from Borrower and satisfaction of the requirements set forth in this Section 3, disburse to Borrower amounts from the Reserve necessary to reimburse Borrower

for the actual costs of (i) any Leasing Commissions and (ii) any work relating to Replacements or Tenant Improvements (collectively, "Work").

(d) Each request for disbursement from the Reserve shall be in a form specified or approved by Lender, and shall be accompanied by evidence of the full performance of the obligations of the leasing agent or satisfactory completion of the Work, as the case may be, and such bills, invoices and other evidence of the incurrence of the related costs and expenses as Lender may reasonably request.

(e) Borrower shall not make a request for disbursement from the Reserve more frequently than once in any calendar quarter.

(f) Borrower shall not make a request for disbursement from the Reserve in an amount less than the lesser of (i) \$5,000, and (ii) the total cost of the Replacement, Tenant Improvement or Leasing Commission for which the disbursement is requested.

4. Performance of Replacements.

4.1 Deferred Maintenance. Notwithstanding anything contained herein to the contrary, Borrower agrees to perform all of the Scheduled Repairs within sixty (60) days after the date hereof or such other period of time, if any, set forth in the Reserve Letter. The Deferred Maintenance Deposit shall be used solely for the payment of the actual costs of the Scheduled Repairs. Upon completion of the Scheduled Repairs in accordance with the requirements hereof, the portion of the Deferred Maintenance Deposit remaining undisbursed, if any, shall be disbursed to Borrower. All conditions, covenants and agreements set forth herein with respect to a disbursement from the Replacement Account shall apply to the disbursements from the Deferred Maintenance Deposit.

4.2 Entry Onto Property; Inspections. Lender may inspect the Property in connection with any Work prior to disbursing funds from the Reserve with respect thereto. In connection with any Work that is (i) a structural repair or improvement, (ii) a replacement or repair of a major component or element of any part of the Property or (iii) Scheduled Repairs, Lender may require, at Borrower's expense, one or more inspections and/or certificates of completion by an appropriate independent, qualified professional (e.g., architect, engineer, consultant) approved by Lender. In addition to Lender's costs and expenses, Borrower shall pay Lender a reasonable inspection fee, provided, however, such fees shall not exceed \$500, in the aggregate, in any calendar year.

5. Borrower's Records. Borrower shall furnish such financial statements, invoices, records, papers and documents relating to the Property as Lender may reasonably require from time to time to make the determinations permitted or required to be made by Lender with respect to disbursements of the Deferred Maintenance Deposit and/or the Reserve.

6. Insufficiency of Reserve Balances, Temporary Deferral of Monthly Deposits. The insufficiency of any balance in the Reserve or the Deferred Maintenance Deposit shall not abrogate Borrower's agreement to fulfill its obligations contained in this Security Instrument. In the event Lender determines that (i) the balance in the Reserve is less than the current estimated cost to complete the Work and pay the Leasing Commissions which Borrower, in the prudent operation of the Property can reasonably be anticipated to incur during the succeeding twenty four (24) months, or (ii) the balance of the Deferred Maintenance Deposit is less than the amount necessary to complete the Scheduled Repairs, Borrower shall deposit the shortage within ten (10) days of request by Lender. In the event Lender determines from time to time based on Lender's inspections that the amount of the Monthly Deposit is insufficient to fund the cost of likely Work and Leasing Commissions and related contingencies that may arise during the remaining term of the Loan, Lender may require an increase in the amount of the Monthly Deposits upon thirty (30) days prior written notice to Borrower. Lender may approve a temporary

deferral or a reduction in the amount of the Monthly Deposit; provided, however, that if Lender approves either a temporary deferral or reduction in the amount of the Monthly Deposit, such action by Lender shall not prevent Lender from requiring Borrower to resume payment of the Monthly Deposits on any date that Lender may deem appropriate.

7. Certain Defined Terms. The following terms shall have the meanings assigned to them below:

- (a) “Deferred Maintenance Deposit” means the Deferred Maintenance Deposit set forth in the Reserve Letter, if any.
- (b) “Monthly Deposit” means the sum of the Monthly Leasing Account Deposit and the Monthly Replacement Account Deposit.
- (c) “Monthly Leasing Account Deposit” means the Monthly Leasing Account Deposit set forth in the Reserve Letter, if any.
- (d) “Monthly Replacement Account Deposit” means the Monthly Replacement Account Deposit set forth in the Reserve Letter. If there is no Monthly Leasing Account Deposit, the Monthly Replacement Account Deposit shall have the same meaning as the Monthly Deposit.
- (e) “Replacements” means the costs of any repairs, improvements, equipment, alterations, additions, changes, replacements and other items which, under generally accepted accounting principles, consistently applied, are properly classified as capital expenditures or capital improvements (and, in the case of multifamily projects only shall include the costs of window treatments and carpeting, blinds, equipment and appliances, and painting of the exterior of the Property), but excluding (i) costs of routine maintenance to the Property; (ii) the costs of salaries, benefits and administrative expenses related to the employment of (A) officers and executives of Borrower, and of employees of Borrower above the level of building manager, and (B) employees of Borrower at or below the level of building manager, except in the case of those costs which Borrower can demonstrate to Lender’s satisfaction to be properly allocable to the work performed by such employees in connection with Replacements; (iii) the cost of any items for which Borrower is reimbursed by insurance or otherwise; (iv) the cost of any landscaping work to the Property; (v) the cost of any material additions or material alterations to the Property after the date hereof; and (vi) (except in the case of multifamily projects) the cost of any alterations, additions, changes, replacements and improvements that are made primarily in order to prepare space for occupancy by a tenant.
- (f) “Reserve Deposits” shall mean the Deferred Maintenance Deposit and the Monthly Deposit.
- (g) “Reserve Letter” means a letter from Borrower to Lender of even date herewith confirming the amount of the Monthly Replacement Account Deposit, the Monthly Leasing Deposit Account Deposit (if any) and the Deferred Maintenance Deposit, if any, and the Scheduled Repairs, if any.
- (h) “Scheduled Repairs” means the Scheduled Repairs described in the Reserve Letter, if any.

PROVISIONS REGARDING LETTERS OF CREDIT

1. Certain Defined Terms. For purposes hereof, the following terms shall have the following meanings:

(a) "Eligible Institution" shall mean shall mean a depository institution or trust company, insured by the Federal Deposit Insurance Corporation, (a) the short term unsecured debt obligations or commercial paper of which are rated at least A 1+ by S&P, P 1 by Moody's and F 1+ by Fitch in the case of accounts in which funds are held for thirty (30) days or less, or (b) the long term unsecured debt obligations of which are rated at least "AA" by Fitch and S&P and "Aa2" by Moody's in the case of accounts in which funds are held for more than thirty (30) days.

(b) "Fitch" shall mean Fitch, Inc.

(c) "Letter of Credit" shall mean an irrevocable, unconditional, transferable, clean sight draft letter of credit acceptable to Lender and the Rating Agencies (which shall have a term of one (1) year, be an evergreen letter of credit or shall not expire until at least thirty (30) Business Days after the Maturity Date) in favor of Lender and entitling Lender to draw thereon in New York, New York, issued by a domestic Eligible Institution or the U.S. agency or branch of a foreign Eligible Institution. If at any time the bank issuing any such Letter of Credit shall cease to be an Eligible Institution, Lender shall send notice of same to Borrower and Borrower shall have thirty (30) days within which to either (i) obtain a new Letter of Credit with an Eligible Institution or (ii) if such event occurs after a Securitization, deliver to Lender a Rating Agency Confirmation stating that the credit rating of the Securities will not be qualified, downgraded or withdrawn if such Letter of Credit is not replaced with a Letter of Credit issued by an Eligible Institution. If a Rating Agency Confirmation or a new Letter of Credit issued by an Eligible Institution has not been delivered to Lender within such thirty (30) day period, or if any Letter of Credit has not been renewed or extended at least thirty (30) days prior to its expiration date, then Lender shall have the right immediately to draw down the same in full and hold the proceeds of such draw in accordance with the applicable provisions hereof, and, upon the receipt by Lender of 100% of the proceeds of such draw, Borrower's obligation to obtain such new Letter of Credit with an Eligible Institution or a Rating Agency Confirmation shall be deemed satisfied.

(d) "Moody's" shall mean Moody's Investors Service, Inc.

(e) "S&P" shall mean Standard & Poor's Ratings Services, a division of McGraw-Hill, Inc.

2. Delivery of Letters of Credit.

(a) In lieu of making payments to the Escrow Fund for the purpose of paying Taxes, Borrower may deliver to Lender a Letter of Credit in accordance with the provisions of this Exhibit C. The aggregate amount of any such Letter of Credit and cash on deposit in the Escrow Fund shall at all times be equal to or greater than the aggregate amount that Borrower shall be required to deposit into the Escrow Fund pursuant to Section 3.4 of this Security Instrument for purposes of paying Taxes becoming due within the ensuing twelve (12) month period (the "Required Amount"). Within thirty (30) days of Borrower's delivery of a Letter of Credit to Lender in the Required Amount that complies with the requirements of this Exhibit C, Lender shall release to Borrower the amount by which the sum of the cash on the deposit in the Escrow Fund and the amount of such

Letter of Credit exceeds the Required Amount. Thereafter, Borrower shall be responsible for making the direct payment of Taxes and Lender shall have no responsibility therefor.

(b) Borrower shall give Lender no less than thirty (30) days notice of Borrower's election to deliver a Letter of Credit and Borrower shall pay to Lender all of Lender's reasonable out-of-pocket costs and expenses in connection therewith. Borrower shall not be entitled to draw from any such Letter of Credit. If a Letter of Credit has been outstanding for more than three (3) months, upon ten (10) days notice to Lender Borrower may replace such Letter of Credit with a cash deposit to the Escrow Fund . Prior to the return of a Letter of Credit, Borrower shall deposit an amount equal to the amount that would have accumulated in the Escrow Fund.

(c) Borrower shall deposit cash with Lender, deliver to Lender an additional Letter of Credit or deliver to Lender a valid and binding amendment of any existing Letter of Credit to increase the undrawn amount thereof within ten (10) of notice from Lender that Borrower is not in compliance with its obligations under Section 2.1(a) above.

3. Provisions Regarding Letters of Credit.

(a) Event of Default. An Event of Default shall occur if Borrower shall fail to amend, replace, increase or extend any Letter of Credit as required by this Exhibit C (including, but not limited to, as set forth in Section 2.1(c) above or in the definition of Letter of Credit).

(b) Security for Debt. Each Letter of Credit delivered under this Security Instrument shall be additional security for the payment of the Debt. Upon the occurrence of an Event of Default, Lender shall have the right, at its option, to draw on any Letter of Credit and to apply all or any part thereof the payment of the items for which such Letter of Credit was established or to apply each such Letter of Credit to payment of the Debt in such order, proportion or priority as Lender may determine or to hold such proceeds as security for the Debt.

(c) Additional Rights of Lender. In addition to any other right Lender may have to draw upon a Letter of Credit pursuant to the terms and conditions of this Agreement, Lender shall have the additional rights to draw in full any Letter of Credit: (a) with respect to any evergreen Letter of Credit, if Lender has received a notice from the issuing bank that the Letter of Credit will not be renewed and a substitute Letter of Credit is not provided at least thirty (30) days prior to the date on which the outstanding Letter of Credit is scheduled to expire; (b) with respect to any Letter of Credit with a stated expiration date, if Lender has not received a notice from the issuing bank that it has renewed the Letter of Credit at least thirty (30) days prior to the date on which such Letter of Credit is scheduled to expire and a substitute Letter of Credit is not provided at least thirty (30) days prior to the date on which the outstanding Letter of Credit is scheduled to expire; (c) upon receipt of notice from the issuing bank that the Letter of Credit will be terminated (except if the termination of such Letter of Credit is provided); or (d) if Lender has received notice that the bank issuing the Letter of Credit shall cease to be an Eligible Institution and Borrower has not, within thirty (30) days after notice thereof, obtained a new Letter of Credit with an Eligible Institution.

\$17,500,000.00

January _4, 2007

FOR VALUE RECEIVED HIGH POINT ASSOCIATES, L.P., a Delaware limited partnership, as maker, having an address at 27777 Franklin Road, Suite 200, Southfield, Michigan 48034 (“**Borrower**”), hereby unconditionally promises to pay to the order of LEHMAN BROTHERS BANK, FSB, a federal stock savings bank, having an address at 1000 West Street, Suite 200, Wilmington, Delaware 19801 (“**Lender**”), or at such other place as the holder hereof may from time to time designate in writing, the principal sum of SEVENTEEN MILLION FIVE HUNDRED THOUSAND AND 00/100 DOLLARS (\$17,500,000.00), in lawful money of the United States of America with interest thereon to be computed from the date of this Note at the Applicable Interest Rate (defined below), and to be paid in installments as provided herein.

1. CERTAIN DEFINED TERMS

As used herein the following terms shall have the meanings set forth below:

(a) “**Accrual Period**” means the period commencing on the eleventh (11th) day of a calendar month and ending on the tenth (10th) day of the succeeding calendar month; provided that if this Note is dated as of any date other than the eleventh (11th) day of a month, the first Accrual Period shall (i) consist of only the date hereof, if the date hereof is the tenth (10th) day of a month, or (ii) commence on the date hereof and shall end on the next tenth (10th) day of a calendar month to occur after the date hereof.

(b) “**Applicable Interest Rate**” shall mean an interest rate equal to 5.842% per annum.

(c) “**Loan**” shall mean the loan evidenced by this Note.

(d) “**Loan Documents**” shall mean this Note, the Security Instrument, and any other documents or instruments which now or shall hereafter wholly or partially secure or guarantee payment of this Note or which have otherwise been executed by Borrower and/or any other person in connection with the Loan.

(e) “**Defeasance Lockout Date**” shall mean the earlier of (a) the fourth (4th) anniversary of the date hereof and (b) the Prepayment Lockout Date.

(f) “**Maturity Date**” shall mean January 11, 2017.

(g) “**Monthly Payment**” shall mean an amount equal to all interest that has accrued on the outstanding principal balance of this Note during the immediately preceding Accrual Period.

(h) “**Monthly Payment Date**” shall mean the eleventh (11th) day of each calendar month prior to the Maturity Date commencing on (i) the eleventh (11th) day of the next succeeding calendar month after the date hereof if this Note is dated on or prior to the eleventh (11th) day of a month, or (ii) the eleventh (11th) day of the second succeeding calendar month after the date hereof if this Note is dated after the eleventh (11th) day of a month.

(i) “**Par Date**” shall mean October 11, 2016.

(j) “**Prepayment Lockout Date**” shall mean two years and one day from the “startup day” (the “**Startup Day**”) of any “real estate mortgage investment conduit” (as such terms are defined in Sections 860G and 860D, respectively, of the Internal Revenue Code of 1986, as amended, or any successor statute thereto (the “**Code**”)), which may acquire the Loan.

(k) "Security Instrument" shall mean the Mortgage and Security Agreement dated the date hereof in the principal sum of SEVENTEEN MILLION FIVE HUNDRED THOUSAND AND 00/100 DOLLARS (\$17,500,000.00) given by Borrower to (or for the benefit of) Lender covering the fee estate of Borrower in certain premises located in Kent County, State of Delaware, and other property, as more particularly described therein (collectively, the "Property").

2. PAYMENT TERMS

(a) If this Note is dated as of a date other than the eleventh (11th) day of a calendar month, a payment shall be due from Borrower to Lender on the date hereof on account of all interest scheduled to accrue on the principal sum from and after the date hereof through and including the last day of the current Accrual Period. The Monthly Payment shall be due from Borrower to Lender on each Monthly Payment Date, with each Monthly Payment to be applied as follows: to the payment of interest which has accrued during the preceding Accrual Period computed at the Applicable Interest Rate. The principal sum and all interest thereon shall be due and payable on the Maturity Date. Interest on the principal sum of this Note shall be calculated by multiplying the actual number of days elapsed in the period for which interest is being calculated by a daily rate based on a 360-day year.

(b) Unless payments are made in the required amount in immediately available funds at the place where this Note is payable, remittances in payment of all or any part of the Debt (defined below) shall not, regardless of any receipt or credit issued therefor, constitute payment until the required amount is actually received by Lender in funds immediately available at the place where this Note is payable (or any other place as Lender, in Lender's sole discretion, may have established by delivery of written notice thereof to Borrower) and shall be made and accepted subject to the condition that any check or draft may be handled for collection in accordance with the practice of the collecting bank or banks.

3. DEFAULT AND ACCELERATION

(a) The whole of the principal sum of this Note, (b) interest, default interest, late charges and other sums, as provided in this Note, the Security Instrument or the other Loan Documents, (c) all other monies agreed or provided to be paid by Borrower in this Note, the Security Instrument or the other Loan Documents, (d) all sums advanced pursuant to the Security Instrument to protect and preserve the Property and the lien and the security interest created thereby, and (e) all sums advanced and costs and expenses incurred by Lender in connection with the Debt (defined below) or any part thereof, any renewal, extension, or change of or substitution for the Debt or any part thereof, or the acquisition or perfection of the security therefor, whether made or incurred at the request of Borrower or Lender (all the sums referred to in (a) through (e) above shall collectively be referred to as the "Debt") shall without notice become immediately due and payable at the option of Lender if any payment required in this Note prior to the Maturity Date is not paid on the date when due or on the happening of any other default, after the expiration of any applicable notice and grace periods, herein or under the terms of the Security Instrument or any of the other Loan Documents (collectively, an "Event of Default").

4. DEFAULT INTEREST

Borrower does hereby agree that upon the occurrence of an Event of Default, Lender shall be entitled to receive and Borrower shall pay interest on the entire unpaid principal sum at a rate (the "Default Rate") equal to (i) the greater of (a) the Applicable Interest Rate plus three percent (3%) and (b) the Prime Rate (as hereinafter defined) plus four percent (4%) or (ii) the maximum interest rate that Borrower may by law pay, whichever is lower. The Default Rate shall be computed from the occurrence of the Event of Default until the earlier of the date upon which the Event of Default is cured or the date upon which the Debt is paid in full. Interest calculated at the Default Rate shall be added to the Debt, and shall be deemed secured by the Security Instrument. This provision, however, shall not be construed as an agreement or privilege to extend the date of the payment of the Debt, nor as a waiver of any other right or remedy accruing to Lender by reason of the occurrence of any Event of Default.

The “**Prime Rate**” shall mean the annual rate of interest publicly announced by Citibank, N.A. in New York, New York, as its base rate, as such rate shall change from time to time. If Citibank, N.A. ceases to announce a base rate, Prime Rate shall mean the rate of interest published in The Wall Street Journal from time to time as the Prime Rate. If more than one Prime Rate is published in The Wall Street Journal for a day, the average of the Prime Rates shall be used, and such average shall be rounded up to the nearest one-quarter of one percent (.25%). If The Wall Street Journal ceases to publish the “Prime Rate”, the Lender shall select an equivalent publication that publishes such “Prime Rate”, and if such prime rates are no longer generally published or are limited, regulated or administered by a governmental or quasi-governmental body, then Lender shall select a comparable interest rate index.

5. PREPAYMENT; DEFEASANCE

(a) Borrower shall not have the right or privilege to prepay all or any portion of the unpaid principal balance of this Note until the Prepayment Lockout Date. From and after the Prepayment Lockout Date, provided no Event of Default exists, the principal balance of this Note may be prepaid, in whole but not in part, upon: (i) not less than 30 days and not more than 60 days prior written notice (the “**Prepayment Notice**”) to Lender specifying the date on which prepayment is to be made (the “**Prepayment Date**”); (ii) payment of all accrued and unpaid interest on the outstanding principal balance of this Note to and (unless such payment is received before noon on a Monthly Payment Date) including the Prepayment Date, together with a payment of all interest which would have accrued on the principal balance of this Note to and including the last day of the Accrual Period in which the Prepayment Date occurs, if such prepayment occurs on a date which is not the eleventh (11th) day of a calendar month (the “**Shortfall Interest Payment**”); (iii) payment of all other sums then due under this Note, the Security Instrument and the other Loan Documents and (iv) if the Prepayment Date occurs prior to the Par Date, payment of a prepayment consideration (the “**Prepayment Consideration**”) in an amount equal to the present value of a series of payments each equal to the Payment Differential (hereinafter defined) and payable on each Monthly Payment Date over the remaining original term of this Note through and including the Par Date discounted at the Reinvestment Yield (hereinafter defined) for the number of months remaining from the Prepayment Date to each such Monthly Payment Date. The term “**Reinvestment Yield**” as used herein shall be equal to the lesser of (a) the (i) yield on the U.S. Treasury issue (primary issue) with the same maturity date as the Par Date; or (ii) if no such U.S. Treasury issue is available, then the interpolated yield on the two U.S. Treasury issues (primary issues) with maturity dates (one prior to and one following) that are closest to the Par Date, or (b) the (i) yield on the U.S. Treasury issue (primary issue) with a term equal to the remaining average life of the Debt (assuming that this Note matures on the Par Date); or (ii) if no such U.S. Treasury issue is available, then the interpolated yield on the two U.S. Treasury issues (primary issues) with terms (one prior to and one following) that are closest to the remaining average life of the Debt (assuming that this Note matures on the Par Date), with each such yield being based on the bid price for such issue as published in The Wall Street Journal on the date that is 14 days prior to the Prepayment Date set forth in the Prepayment Notice (or, if such bid price is not published on that date, the next preceding date on which such bid price is so published) and converted to a monthly compounded nominal yield. The term “**Payment Differential**” as used herein shall be equal to (x) the Applicable Interest Rate minus the Reinvestment Yield, divided by (y) 12 and multiplied by (z) the principal sum outstanding on such Prepayment Date, provided that the Payment Differential shall in no event be less than zero. In no event, however, shall Lender be required to reinvest any prepayment proceeds in U.S. Treasury obligations or otherwise. Lender shall notify Borrower of the amount, and the basis of determination, of the required Prepayment Consideration. If a Prepayment Notice is given by Borrower to Lender pursuant to this Article 5, the principal balance of this Note and the other sums required under this Article shall be due and payable on the Prepayment Date. Lender shall not be obligated to accept any prepayment of the principal balance of this Note unless it is accompanied by all sums due in connection therewith.

(b) (i) At any time from and after the Defeasance Lockout Date and provided no Event of Default exists at the time, Borrower may obtain the release of the Property from the lien of the Security Instrument and all other security interests held by Lender in connection with the Loan upon the satisfaction of the following conditions precedent:

- (1) Borrower shall have provided Lender with not less than thirty (30) days and not more than sixty (60) days prior written notice specifying the date (the "**Release Date**") on which the Defeasance Deposit (hereinafter defined) is to be made;
- (2) Borrower shall have paid to Lender all interest accrued and unpaid on the principal balance of this Note to and including the Release Date;
- (3) Borrower shall have paid to Lender all other sums due and payable under this Note, the Security Instrument and the other Loan Documents through and including the Release Date (including, but not limited to, any Monthly Payment which may be due and payable on the Release Date);
- (4) Borrower shall have paid to Lender the Defeasance Deposit (hereinafter defined);
- (5) The transactions contemplated by this Section 5(b) shall not constitute a prohibited transaction for or a contribution after the Startup Day to a "REMIC Trust" (a "**REMIC Trust**") which shall own the Loan and will not disqualify such REMIC Trust as a "real estate mortgage investment conduit" within the meaning of Section 860D of the Code, and the Loan shall continue to constitute a "qualified mortgage" within the meaning of Sections 860D and 860G(a)(3) of the Code, and Lender shall have received an opinion, in form and from a counsel acceptable to Lender, with respect to the matters described in this clause (5) provided, however, that this clause (5) shall not prevent Borrower from entering into the transactions contemplated by this Section 5(b) if the conditions in this clause (5) cannot be satisfied due solely to the fact that such transactions are occurring after the Defeasance Lockout Date but prior to the Prepayment Lockout Date; and
- (6) Borrower shall have delivered to Lender the following:
 - (A) a security agreement, in form and substance satisfactory to Lender, creating a first priority lien on the Defeasance Deposit and the Defeasance Collateral (hereinafter defined) purchased on behalf of Borrower with the Defeasance Deposit in accordance with the provisions of this Section 5(b) (the "**Pledge Agreement**"), which Pledge Agreement shall provide, among other things, that any excess payments of principal and interest received by Lender under the Defeasance Collateral over the amount needed to make payments of principal and interest and other sums due from Borrower hereunder shall be refunded to Borrower;
 - (B) a release of the Property from the lien of the Security Instrument (for execution by Lender) in a form appropriate for the jurisdiction in which the Property is located;
 - (C) an officer's certificate of Borrower certifying that the requirements set forth in this Section 5(b) have been satisfied;
 - (D) a certificate by Borrower's independent public accountant certifying that the cash flow from the Defeasance Collateral will be sufficient to timely meet all Scheduled Defeasance Payments (as hereinafter defined);
 - (E) an opinion of counsel for Borrower in form satisfactory to Lender stating, among other things, that Lender will have a perfected first priority security interest in the Defeasance Deposit and the Defeasance Collateral to be purchased on behalf of Borrower;

- (F) evidence in writing from the applicable Rating Agencies (as defined in the Security Instrument) to the effect that such release will not result in a qualification, downgrade or withdrawal of any rating in effect immediately prior to such defeasance for any Securities (as defined in the Security Instrument); and
- (G) such other certificates, documents or instruments as Lender may reasonably request.

The Defeasance Deposit shall be used to purchase Defeasance Collateral which provide payments which are (A) payable on or prior to, but as close as possible to, all successive Monthly Payment Dates after the Release Date and the Maturity Date (as accelerated to the Par Date in accordance with the provisions of this paragraph) and (B) in amounts necessary to meet the scheduled payments of principal and interest due under this Note on such dates (the “**Scheduled Defeasance Payments**”). Simultaneously with the delivery of the Defeasance Deposit, the Maturity Date shall be accelerated to the Par Date. Borrower, pursuant to the Pledge Agreement or other appropriate documents, shall authorize and direct that the payments received from the Defeasance Collateral be made directly to Lender and applied to satisfy the obligations of the Borrower under this Note.

(ii) Upon compliance with the requirements of this Section 5(b), the Property shall be released from the lien of the Security Instrument and the pledged Defeasance Deposit and the Defeasance Collateral purchased therewith shall be the sole source of collateral securing this Note. In connection with such release, Lender, or its designee, shall establish or designate a successor entity (the “**Successor Borrower**”) and Borrower shall transfer and assign all obligations, rights and duties under and to this Note together with the pledged Defeasance Deposit and/or Defeasance Collateral to such Successor Borrower. Such Successor Borrower shall assume the obligations of Borrower under this Note and the Pledge Agreement and Borrower and each Guarantor and Indemnitor shall be relieved of their obligations under such Pledge Agreement, the Note, the Security Instrument and the other Loan Documents except for obligations which the Pledge Agreement and/or such Loan Documents provide shall survive the satisfaction of the Security Instrument. Borrower shall pay all costs and expenses incurred by Lender, including Lender’s attorneys’ fees and expenses and Rating Agency fees, if any, incurred in connection with this Section 5(b).

(iii) For purposes hereof, the following terms shall have the following meanings:

(iv) The term “**Defeasance Collateral**” shall mean non-callable and non-redeemable obligations issued, or fully guaranteed as to payment, by the United States of America (including, without limitation, obligations issued or held in book-entry form of the Department of the Treasury and principal-only and interest-only strips that are issued by the United States Treasury, or non-callable and non-redeemable obligations, the principal of and interest on which are unconditionally guaranteed by the United States of America, or the non-callable and non-redeemable obligations of any agency of the United States of America all of whose obligations are unconditionally guaranteed by the United States of America, which mature at least four (4) business days before the related Monthly Payment or the Maturity Date, as applicable), or such other securities as are permitted as of the Release Date by the Code with respect to REMIC Trust collateral substitutions; and

(v) The term “**Defeasance Deposit**” shall mean an amount equal to the sum of (1) the amount which will be sufficient to purchase Defeasance Collateral necessary to meet the Scheduled Defeasance Payments; and (2) any revenue, documentary stamp or intangible taxes or any other tax or charge due in connection with the transfer of this Note or otherwise required to accomplish the agreements of this Section 5(b), all fees, costs and expenses incurred or to be incurred by Lender in the purchase of such Defeasance Collateral and the assumption payments referred to above.

(vi) Following the delivery of the Defeasance Deposit to Lender, Borrower shall not have any right to prepay this Note.

(c) Simultaneously with each Default Repayment (defined herein) occurring prior to the Par Date, Borrower shall pay to Lender an amount equal to the greater of: (A) three (3%) percent of the principal amount of this Note being prepaid (the “**Default Repayment Premium**”) (provided that this clause (A) shall not apply if the Default Repayment occurs after the Prepayment Lockout Date, and, in such case, the Default Repayment Premium shall equal the amount in clause (B)); and (B) the present value as of the date of the Default Repayment (the “**Default Repayment Date**”) of a series of payments each equal to the Default Payment Differential (hereinafter defined) and payable on each Monthly Payment Date over the remaining original term of this Note through and including the Par Date discounted at the Default Reinvestment Yield (hereinafter defined) for the number of months remaining from the Default Repayment Date to each such Monthly Payment Date. The term “**Default Reinvestment Yield**” as used herein shall be equal to the lesser of (a) the (i) yield on the U.S. Treasury issue (primary issue) with the same maturity date as the Par Date; or (ii) if no such U.S. Treasury issue is available, then the interpolated yield on the two U.S. Treasury issues (primary issues) with maturity dates (one prior to and one following) that are closest to the Par Date; or (b) the (i) yield on the U.S. Treasury issue (primary issue) with a term equal to the remaining average life of the Debt (assuming that this Note matures on the Par Date), or (ii) if no such U.S. Treasury issue is available, then the interpolated yield on the two U.S. Treasury issues (primary issues) with terms (one prior to and one following) that are closest to the remaining average life of the Debt (assuming that this Note matures on the Par Date), with each such yield being based on the bid price for such issue as published in The Wall Street Journal on the date that is 14 days prior to the Default Repayment Date (or, if such bid price is not published on that date, the next preceding date on which such bid price is so published) and converted to a monthly compounded nominal yield. The term “**Default Payment Differential**” as used herein shall be equal to (x) the Applicable Interest Rate minus the Default Reinvestment Yield, divided by (y) 12 and multiplied by (z) the principal sum being repaid on such Default Repayment Date after application of the Monthly Payment (if any) due on the date of the Default Repayment, provided that the Payment Differential shall in no event be less than zero. In no event, however, shall Lender be required to reinvest any repayment proceeds in U.S. Treasury obligations or otherwise.

For purposes of this Note, the term “**Default Repayment**” shall mean a repayment of all or any portion of the principal amount of this Note made during the continuance of any Event of Default or after an acceleration of the Maturity Date under any circumstances, including, without limitation, a repayment occurring in connection with reinstatement of the Security Instrument provided by statute under foreclosure proceedings or exercise of a power of sale, any statutory right of redemption exercised by Borrower or any other party having a statutory right to redeem or prevent foreclosure, any sale in foreclosure or under exercise of a power of sale or otherwise.

6. SECURITY

This Note is secured by the Security Instrument and the other Loan Documents. The Security Instrument is intended to be duly recorded in the public records of the county where the Property is located. All of the terms, covenants and conditions contained in the Security Instrument and the other Loan Documents are hereby made part of this Note to the same extent and with the same force as if they were fully set forth herein.

7. SAVINGS CLAUSE

This Note is subject to the express condition that at no time shall Borrower be obligated or required to pay interest on the principal balance due hereunder at a rate which could subject Lender to either civil or criminal liability as a result of being in excess of the maximum interest rate which Borrower is permitted by applicable law to contract or agree to pay. If by the terms of this Note, Borrower is at any time required or obligated to pay interest on the principal balance due hereunder at a rate in excess of such maximum rate, the Applicable Interest Rate or the Default Rate, as the case may be, shall be deemed to be immediately reduced to such maximum rate and all previous payments in excess of the maximum rate shall be deemed to have been payments in reduction of principal and not on account of the interest due hereunder. All sums paid or agreed to be paid to Lender for the use, forbearance, or detention of the Debt, shall, to the extent permitted by applicable law, be amortized, prorated, allocated,

and spread throughout the full stated term of the Note until payment in full so that the rate or amount of interest on account of the Debt does not exceed the maximum lawful rate of interest from time to time in effect and applicable to the Debt for so long as the Debt is outstanding.

8. LATE CHARGE

If any sum payable under this Note is not paid on the date on which it is due, regardless of whether such failure shall constitute an Event of Default, Borrower shall pay to Lender upon demand an amount equal to the lesser of five percent (5%) of the unpaid sum or the maximum amount permitted by applicable law to defray the expenses incurred by Lender in handling and processing the delinquent payment and to compensate Lender for the loss of the use of the delinquent payment and the amount shall be secured by the Security Instrument and the other Loan Documents.

9. NO ORAL CHANGE

This Note may not be modified, amended, waived, extended, changed, discharged or terminated orally or by any act or failure to act on the part of Borrower or Lender, but only by an agreement in writing signed by the party against whom enforcement of any modification, amendment, waiver, extension, change, discharge or termination is sought.

10. JOINT AND SEVERAL LIABILITY

If Borrower consists of more than one person or party, the obligations and liabilities of each person or party shall be joint and several.

11. WAIVERS

All payments required hereunder shall be made irrespective of, and without any deduction for, any setoff, defense or counterclaim. Borrower and all others who may become liable for the payment of all or any part of the Debt do hereby severally waive presentment and demand for payment, notice of dishonor, protest and notice of protest and non-payment and all other notices of any kind, other than notices specifically required by the terms of this Note, the Security Instrument and the other Loan Documents. No release of any security for the Debt or extension of time for payment of this Note or any installment hereof, and no alteration, amendment or waiver of any provision of this Note, the Security Instrument or the other Loan Documents made by agreement between Lender or any other person or party shall release, modify, amend, waive, extend, change, discharge, terminate or affect the liability of Borrower, and any other person or entity who may become liable for the payment of all or any part of the Debt, under this Note, the Security Instrument or the other Loan Documents. No notice to or demand on Borrower shall be deemed to be a waiver of the obligation of Borrower or of the right of Lender to take further action without further notice or demand as provided for in this Note, the Security Instrument or the other Loan Documents. In addition, acceptance by Lender of any payment in an amount less than the amount then due shall be deemed an acceptance on account only, and the failure to pay the entire amount then due shall be and continue to be an Event of Default. If Borrower is a partnership, the agreements herein contained shall remain in force and applicable, notwithstanding any changes in the individuals comprising the partnership, and the term "**Borrower**," as used herein, shall include any alternate or successor partnership, but any predecessor partnership and their partners shall not thereby be released from any liability. If Borrower is a corporation or limited liability company, the agreements contained herein shall remain in full force and applicable notwithstanding any changes in the shareholders or members comprising, or the officers and directors or managers relating to, the corporation or limited liability company, and the term "**Borrower**" as used herein, shall include any alternative or successor corporation or limited liability company, but any predecessor corporation or limited liability company shall not be relieved of liability hereunder. (Nothing in the foregoing sentence shall be construed as a consent to, or a waiver of, any prohibition or restriction on transfers of interests in a partnership, corporation or limited liability company which may be set forth in the Security Instrument or any other Loan Document.)

12. TRANSFER

Upon the transfer of this Note, Borrower hereby waiving notice of any such transfer, Lender may deliver all the collateral mortgaged, granted, pledged or assigned pursuant to the Security Instrument and the other Loan Documents, or any part thereof, to the transferee who shall thereupon become vested with all the rights herein or under applicable law given to Lender with respect thereto, and Lender shall thereafter forever be relieved and fully discharged from any liability or responsibility in the matter; but Lender shall retain all rights hereby given to it with respect to any liabilities and the collateral not so transferred.

13. WAIVER OF TRIAL BY JURY

BORROWER HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, THE RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER IN CONTRACT, TORT OR OTHERWISE, RELATING DIRECTLY OR INDIRECTLY TO THE LOAN, THE APPLICATION FOR THE LOAN, THIS NOTE, THE SECURITY INSTRUMENT OR THE OTHER LOAN DOCUMENTS OR ANY ACTS OR OMISSIONS OF LENDER, ITS OFFICERS, EMPLOYEES, DIRECTORS OR AGENTS IN CONNECTION THEREWITH.

14. EXCULPATION

(a) Except as otherwise provided herein, in the Security Instrument or in the other Loan Documents, Lender shall not enforce the liability and obligation of Borrower to perform and observe the obligations contained in this Note or the Security Instrument by any action or proceeding wherein a money judgment shall be sought against Borrower or its general partners, except that Lender may sell the Property under any power of sale or right of non-judicial foreclosure or bring a foreclosure action, confirmation action, action for specific performance or other appropriate action or proceeding to enable Lender to enforce and realize upon this Note, the Security Instrument, the other Loan Documents, and the interest in the Property, the Rents (as defined in the Security Instrument) and any other collateral given to Lender created by this Note, the Security Instrument and the other Loan Documents; provided, however, that any judgment in any such action or proceeding shall be enforceable against Borrower (but in no event against its general partners) only to the extent of Borrower's interest in the Property, in the Rents and in any other collateral given to Lender. Lender, by accepting this Note and the Security Instrument, agrees that it shall not, except as otherwise provided in Section 10.10 of the Security Instrument, sue for, seek or demand any deficiency judgment against Borrower (or against the general partners of Borrower, without regard to the provisions of Section 10.10 of the Security Instrument) in any such action or proceeding, under or by reason of or under or in connection with this Note, the other Loan Documents or the Security Instrument. The provisions of this Article shall not, however, (i) constitute a waiver, release or impairment of any obligation evidenced or secured by this Note, the other Loan Documents or the Security Instrument; (ii) Intentionally Deleted; (iii) impair the right of Lender to name Borrower (but not its general partners) as a party defendant in any action or suit for judicial foreclosure and sale under the Security Instrument; (iv) affect the validity or enforceability of any indemnity, guaranty, master lease or similar instrument made in connection with this Note, the Security Instrument, or the other Loan Documents; (v) impair the right of Lender to obtain the appointment of a receiver; (vi) impair the enforcement of the Assignment of Leases and Rents executed in connection herewith; (vii) impair the right of Lender to obtain a deficiency judgment or judgment on the Note against Borrower (but not its general partners) if necessary to obtain any insurance proceeds or condemnation awards to which Lender would otherwise be entitled under the Security Instrument; provided however, Lender shall only enforce such judgment against the insurance proceeds and/or condemnation awards; or (viii) impair the right of Lender to enforce the provisions of Sections 10.10, 11.2 and 11.3 of the Security Instrument.

(b) Notwithstanding the provisions of this Article 14 to the contrary, Borrower (but not the general partners of Borrower) shall be personally liable to Lender for the Losses (as defined in the Security Instrument) it incurs due to: (i) fraud or intentional, material misrepresentation by Borrower, SCOLP, or any of their agents, principals, officers or employees, (ii) Borrower's misapplication or

misappropriation of insurance proceeds, condemnation awards, or tenant security deposits, if and to the extent Borrower or its agents have the right and ability to control the disbursement of such proceeds, awards or deposits; (ii) Rents received by Borrower after the occurrence of an Event of Default, provided that such Rents (y) are not applied towards either the Monthly Payment or the ordinary and necessary operating expenses of the Property and Borrower has provided Lender with evidence of same in a form acceptable to Lender, or (z) are paid to Lender, (iii) so long as Borrower has possession and control of the Property, Borrower's failure to pay (except to the extent that sums sufficient to pay such amounts have been deposited in escrow with Lender pursuant to the terms of the Security Instrument) Taxes or other liens with priority over Lender's lien on the Property or other liens established under the Loan Documents, to the extent funds are available from the operation of the Property for such purpose, or from escrow deposits made to Lender for such purpose (regardless of whether Lender uses such funds to pay such Taxes or other liens), (iv) damage to the Property arising from (y) the intentional misconduct or gross negligence of Borrower, SCOLP, or any of their principals, officers, agents or employees, or (z) any removal of the Property in violation of the Loan Documents, or (v) Borrower's or any other Indemnitor's failure to comply with the provisions of the Environmental Indemnity (as defined in the Security Instrument).

(c) Notwithstanding the foregoing, the agreement of Lender not to pursue recourse liability as set forth in Subsection (a) above SHALL BECOME NULL AND VOID and shall be of no further force and effect (i) in the event of Borrower's default under Sections 4.2 or 8.2 of the Security Instrument, or (ii) if the Property or any part thereof shall become an asset in (1) a voluntary bankruptcy or insolvency proceeding, or (2) an involuntary bankruptcy or insolvency proceeding (A) which is commenced by any party controlling, controlled by or under common control with Borrower (which shall include, but not be limited to, any creditor or claimant acting in concert with Borrower or any of the foregoing parties) (the "Borrowing Group") or (B) in which any member of the Borrowing Group objects to a motion by Lender for relief from any stay or injunction from the foreclosure of the Security Instrument or any other remedial action permitted hereunder or under the Security Instrument or the other Loan Documents.

(d) Nothing herein shall be deemed to be a waiver of any right which Lender may have under Sections 506(a), 506(b), 1111(b) or any other provisions of the U.S. Bankruptcy Code to file a claim for the full amount of the Debt or to require that all collateral shall continue to secure all of the Debt owing to Lender in accordance with this Note, the Security Instrument and the other Loan Documents.

15. AUTHORITY

Borrower (and the undersigned representative of Borrower, if any) represents that Borrower has full power, authority and legal right to execute and deliver this Note, the Security Instrument and the other Loan Documents and that this Note, the Security Instrument and the other Loan Documents constitute valid and binding obligations of Borrower.

16. APPLICABLE LAW

This Note shall be governed, construed, applied and enforced in accordance with the laws of the state in which the Property is located and the applicable laws of the United States of America.

17. COUNSEL FEES

In the event that it should become necessary to employ counsel to collect the Debt or to protect or foreclose the security therefor, Borrower also agrees to pay all reasonable fees and expenses of Lender, including, without limitation, reasonable attorney's fees for the services of such counsel whether or not suit be brought.

18. NOTICES

All notices or other written communications hereunder shall be deemed to have been properly given (i) upon delivery, if delivered in person, (ii) one (1) Business Day (defined below) after having

been deposited for overnight delivery with any reputable overnight courier service, or (iii) three (3) Business Days after having been deposited in any post office or mail depository regularly maintained by the U.S. Postal Service and sent by registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

If to Borrower:	High Point Associates, L.P. 27777 Franklin Road, Suite 200 Southfield, Michigan 48034 Attention: Jonathan M. Colman
With a copy to:	Jaffe, Raitt, Heuer & Weiss, P.C. 27777 Franklin Road, Suite 2500 Southfield, Michigan 48034 Attention: Arthur A. Weiss
If to Lender:	Lehman Brothers Bank, FSB 399 Park Avenue, 8th Floor New York, New York 10022 Attention: John Herman
With a copy to:	Stroock & Stroock & Lavan LLP 180 Maiden Lane New York, New York 10038 Attention: William Campbell, Esq.

or addressed as such party may from time to time designate by written notice to the other parties.

Either party by notice to the other may designate additional or different addresses for subsequent notices or communications.

“**Business Day**” shall mean a day upon which commercial banks are not authorized or required by law to close in New York, New York.

19. MISCELLANEOUS

(a) Wherever pursuant to this Note (i) Lender exercises any right given to it to approve or disapprove, (ii) any arrangement or term is to be satisfactory to Lender, or (iii) any other decision or determination is to be made by Lender, the decision of Lender to approve or disapprove, all decisions that arrangements or terms are satisfactory or not satisfactory and all other decisions and determinations made by Lender, shall be in the sole and absolute discretion of Lender and shall be final and conclusive, except as may be otherwise expressly and specifically provided herein.

(b) Whenever used, the singular shall include the plural, the plural shall include the singular, and the words “Lender” and “Borrower” shall include their respective successors, assigns, heirs, executors and administrators.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Borrower has duly executed this Note with the intent that the document be executed and delivered as a sealed instrument, and affixed its seal or adopted as its seal the word "(SEAL)" appearing beside its execution below, all as of the date and year first written above.

BORROWER:

HIGH POINT ASSOCIATES, L.P.,
a Delaware limited partnership

By: High Point GP One LLC, a Michigan limited liability
company, its general partner

By: Sun High Point QRS, Inc., a Michigan corporation,
its managing member

By: _____ (SEAL)
Jonathan M. Colman
Executive Vice President

STATE OF _____)
COUNTY OF _____) ss:

The foregoing instrument was acknowledged before me this _____ day of _____, 2006 by Jonathan M. Colman, as Executive Vice President of Sun High Point QRS, Inc., a Michigan corporation, as managing member of High Point GP One LLC, a Michigan limited liability company, as general partner of **HIGH POINT ASSOCIATES, L.P.**, a Delaware limited partnership, on behalf of said corporation, limited liability company and limited partnership. He is personally known to me or has produced a _____ as identification.

Print Name: _____
Title: _____
Commission No. _____

(if any)

My Commission Expires: _____

Tax Parcel Number:

Prepared by and Return to:

Stroock & Stroock & Lavan LLP
3100 Wachovia Financial Center
200 South Biscayne Boulevard
Miami, Florida 33131-2385
Attn: Albert J. Delgado, Esq.

HIGH POINT ASSOCIATES, L.P., as mortgagor
(Borrower)

To

LEHMAN BROTHERS BANK, FSB, as mortgagee
(Lender)

**MORTGAGE
AND SECURITY AGREEMENT**

Dated: January 4, 2007
Location: Frederica, Delaware
County: Kent

UPON RECORDATION RETURN TO:

Stroock & Stroock & Lavan LLP
3100 Wachovia Financial Center
200 South Biscayne Boulevard
Miami, Florida 33131-5323
Attention: Albert J. Delgado

THIS MORTGAGE AND SECURITY AGREEMENT (this "Security Instrument") is made as of the 4th day of January, 2007, by **HIGH POINT ASSOCIATES, L.P.**, a Delaware limited partnership, having its principal place of business at 27777 Franklin Road, Suite 200, Southfield, Michigan 48034, as mortgagor ("Borrower") to **LEHMAN BROTHERS BANK, FSB**, a federal stock savings bank, having an address at 1000 West Street, Suite 200, Wilmington, Delaware 19801, as mortgagee ("Lender").

RECITALS:

Borrower by its promissory note of even date herewith given to Lender is indebted to Lender in the principal sum of **SEVENTEEN MILLION FIVE HUNDRED THOUSAND AND 00/100 DOLLARS (\$17,500,000.00)** in lawful money of the United States of America (the note together with all extensions, renewals, modifications, substitutions and amendments thereof shall collectively be referred to as the "Note"), with interest from the date thereof at the rates set forth in the Note, principal and interest to be payable in accordance with the terms and conditions provided in the Note. The maturity date of the Note is January 11, 2017.

Borrower desires to secure the payment and performance of the Obligations (as defined in Section 2.1 hereof).

1 - GRANTS OF SECURITY

1.1 PROPERTY MORTGAGED. Borrower does hereby irrevocably mortgage, grant, bargain, sell, pledge, assign, warrant, transfer and convey to Lender, and grant a security interest to Lender in, the following property, rights, interests and estates to the extent the same are now owned, or hereafter acquired by Borrower (collectively, the "Property"): (a) the real property described in Exhibit A attached hereto and made a part hereof (the "Land"); (b) all additional lands, estates and development rights hereafter acquired by Borrower for use in connection with the Land and the development of the Land and all additional lands and estates therein which may, from time to time, by supplemental mortgage or otherwise be expressly made subject to the lien of this Security Instrument; (c) the buildings, structures, fixtures, additions, enlargements, extensions, modifications, repairs, replacements and improvements now or hereafter erected or located on the Land, but excluding the manufactured homes located thereon (the "Improvements"); (d) all easements, rights-of-way or use, rights, strips and gores of land, streets, ways, alleys, passages, sewer rights, water, water courses, water rights and powers, air rights and development rights, and all estates, rights, titles, interests, privileges, liberties, servitudes, tenements, hereditaments and appurtenances of any nature whatsoever, in any way now or hereafter belonging, relating or pertaining to the Land and the Improvements and the reversion and reversions, remainder and remainders, and all land lying in the bed of any street, road or avenue, opened or proposed, in front of or adjoining the Land, to the center line thereof and all the estates, rights, titles, interests, dower and rights of dower, curtesy and rights of curtesy, property, possession, claim and demand whatsoever, both at law and in equity, of Borrower of, in and to the Land and the Improvements and every part and parcel thereof, with the appurtenances thereto; (e) all furnishings, machinery, equipment, fixtures (including, but not limited to, all heating, air conditioning, plumbing, lighting, communications and elevator fixtures) and other property of every kind and nature whatsoever owned by Borrower, or in which Borrower has or shall have an interest, now or hereafter located upon the Land and the Improvements, or appurtenant thereto, and usable in connection with the present or future operation and occupancy of the Land and the Improvements and all building equipment, materials and supplies of any nature whatsoever owned by Borrower, or in which Borrower has or shall have an interest, now or hereafter located upon the Land and the Improvements, or appurtenant thereto, or usable in connection with the present or future operation and occupancy of the Land and the Improvements (collectively, the "Personal Property"), and the right, title and interest of Borrower in and to any of the Personal Property which may be subject to any security interests, as defined in the Uniform Commercial Code, as adopted and enacted by the state or states where any of the Property is located (the "Uniform Commercial Code"), superior in lien to the lien of this Security Instrument and all proceeds and products of the above; (f) all leases and other agreements affecting the use, enjoyment or occupancy of the Land and the Improvements heretofore or hereafter entered into, whether before or after the filing by or against Borrower of any petition for relief under 11 U.S.C. § 101 et seq., as the same may be amended from time to time (the "Bankruptcy Code") (the "Leases") and all right, title and interest of Borrower, its successors and assigns therein and thereunder, including, without limitation, cash or securities deposited thereunder to secure the performance by the lessees of their obligations thereunder and all rents, additional rents,

revenues (including, but not limited to, any payments made by tenants under the Leases in connection with the termination of any Lease), issues and profits (including all oil and gas or other mineral royalties and bonuses) from the Land and the Improvements whether paid or accruing before or after the filing by or against Borrower of any petition for relief under the Bankruptcy Code (the "Rents") and all proceeds from the sale or other disposition of the Leases and the right to receive and apply the Rents to the payment of the Debt (as hereinafter defined); (g) any and all lease guaranties, letters of credit and any other credit support (collectively, the "Lease Guaranties") given by any guarantor in connection with any of the Leases (individually, a "Lease Guarantor" and collectively, the "Lease Guarantors"); (h) all rights, powers, privileges, options and other benefits of Borrower as lessor under the Leases and beneficiary under all Lease Guaranties; (i) all awards or payments, including interest thereon, which may heretofore and hereafter be made with respect to the Property, whether from the exercise of the right of eminent domain (including but not limited to any transfer made in lieu of or in anticipation of the exercise of the right), or for a change of grade, or for any other injury to or decrease in the value of the Property; (j) all proceeds of and any unearned premiums on any insurance policies covering the Property, including, without limitation, the right to receive and apply the proceeds of any insurance, judgments, or settlements made in lieu thereof, for damage to the Property; (k) all refunds, rebates or credits in connection with a reduction in real estate taxes and assessments charged against the Property as a result of tax certiorari or any applications or proceedings for reduction; (l) all proceeds of the conversion, voluntary or involuntary, of any of the foregoing including, without limitation, proceeds of insurance and condemnation awards, into cash or liquidation claims; (m) the right, in the name and on behalf of Borrower, to appear in and defend any action or proceeding brought with respect to the Property and to commence any action or proceeding to protect the interest of Lender in the Property; (n) to the extent assignment thereof is legally permissible, all agreements, contracts, certificates, instruments, franchises, permits, licenses, plans, specifications and other documents, now or hereafter entered into, and all rights therein and thereto, respecting or pertaining to the use, occupation, construction, management or operation of the Land and any part thereof and any Improvements or respecting any business or activity conducted on the Land and any part thereof and all right, title and interest of Borrower therein and thereunder, including, without limitation, the right, upon the happening of any default hereunder, to receive and collect any sums payable to Borrower thereunder; (o) all tradenames, trademarks, servicemarks, logos, copyrights, goodwill, books and records and all other general intangibles relating to or used in connection with the operation of the Property; and (p) any and all other rights of Borrower in and to the items set forth in Subsections (a) through (o) above.

1.2 ASSIGNMENT OF RENTS. Borrower hereby absolutely and unconditionally assigns to Lender Borrower's right, title and interest in and to all current and future Leases and Rents; it being intended by Borrower that this assignment constitutes a present, absolute assignment and not an assignment for additional security only. Nevertheless, subject to the terms of this Section 1.2 and Section 3.6, Lender grants to Borrower a revocable license to collect and receive the Rents, which license shall be automatically revoked upon the occurrence of an Event of Default (as hereinafter defined). Borrower shall hold the Rents, or a portion thereof sufficient to discharge all current sums due on the Debt, for use in the payment of such sums. This Security Instrument is intended to assign Rents and Leases pursuant to 25 Del. C. § 2121.

1.3 SECURITY AGREEMENT. This Security Instrument is both a real property mortgage and a "security agreement" within the meaning of the Uniform Commercial Code. The Property includes both real and personal property and all other rights and interests, whether tangible or intangible in nature, of Borrower in the Property. By executing and delivering this Security Instrument, Borrower hereby grants to Lender, as security for the Obligations, a security interest in the Property to the full extent that the Property may be subject to the Uniform Commercial Code.

1.4 PLEDGE OF MONIES HELD. Borrower hereby pledges to Lender any and all monies now or hereafter held by Lender, including, without limitation, any sums deposited in the Escrow Fund (as defined in Section 3.4), the Deferred Maintenance Deposit (as defined on Exhibit B attached hereto and made a part hereof), the Reserve (as defined on Exhibit B), Net Proceeds (as defined in Section 4.3(b)), and condemnation awards or payments described in Section 3.5 (collectively, "Deposits"), as additional security for the Obligations until expended or applied as provided in this Security Instrument.

CONDITIONS TO GRANT

TO HAVE AND TO HOLD the above granted and described Property unto and to the use and benefit of Lender, and the successors and assigns of Lender, forever;

PROVIDED, HOWEVER, these presents are upon the express condition that, if Borrower shall well and truly pay to Lender the Debt at the time and in the manner provided in the Note and this Security Instrument, shall well and truly perform the Other Obligations (as defined in Section 2.1 hereof) as set forth in this Security Instrument and shall well and truly abide by and comply, in all material respects, with each and every covenant and condition set forth herein and in the Note, these presents and the estate hereby granted shall cease, terminate and be void.

2 - DEBT AND OBLIGATIONS SECURED

2.1 DEBT AND OBLIGATIONS SECURED. This Security Instrument and the grants, assignments and transfers made in Article 1 are given for the purpose of securing the payment of the Debt and the performance of the Other Obligations, in such order of priority as Lender may determine in its sole discretion. For purposes hereof, the term "Debt" shall mean the aggregate of the indebtedness evidenced by the Note in lawful money of the United States of America, interest, default interest, late charges, prepayment premiums and other sums, as provided in the Note, this Security Instrument or the other Loan Documents (defined below), all other moneys agreed or provided to be paid by Borrower in the Note, this Security Instrument or the other Loan Documents and all sums advanced pursuant to this Security Instrument to protect and preserve the Property and the lien and the security interest created hereby. For purposes hereof, the term "Other Obligations" shall mean the obligations of Borrower (other than the obligation to repay the Debt) contained in this Security Instrument, the Note and the other Loan Documents (as hereinafter defined). For purposes hereof, the term "Loan Documents" shall mean the Note, this Security Instrument and any other documents or instruments which now or shall hereafter wholly or partially secure or guarantee payment of the Note or which have otherwise been executed or are hereafter executed by Borrower and/or any other person or entity in connection with the loan (the "Loan") evidenced by the Note and any renewal, extension, amendment, modification, consolidation, change of, or substitution or replacement for, all or any part thereof. Borrower's obligations for the payment of the Debt and the performance of the Other Obligations shall be referred to collectively below as the "Obligations." All the covenants, conditions and agreements contained in the Note and the other Loan Documents are hereby made a part of this Security Instrument to the same extent and with the same force as if fully set forth herein. Anything to the contrary herein or in any other Loan Document notwithstanding, the obligations of any person (hereinafter, a "Guarantor" or "Indemnitor") under any separate guaranty or indemnity accepted by Lender, including but not limited to any guaranty of recourse obligations given to Lender as of even date herewith, shall not be secured by this Security Instrument, any separate assignment of leases or assignment of rents, or any other lien encumbering the Property; provided however that the obligations of Borrower under the Environmental Indemnity Agreement (as hereinafter defined) and under any separate indemnity of Borrower shall be so secured, subject to the rights of Lender to proceed on an unsecured basis thereunder pursuant to applicable law.

3 - BORROWER COVENANTS

Borrower covenants and agrees that:

3.1 PAYMENT OF DEBT. Borrower will pay the Debt at the time and in the manner provided in the Note, this Security Instrument and the other Loan Documents.

3.2 INSURANCE.

(a) Borrower shall obtain and maintain, or cause to be maintained, insurance for Borrower and the Property providing at least the coverages set forth herein:

(i) property insurance (written on the Special cause of Loss form or its equivalent) on the Improvements and the Personal Property, in each case (A) in an amount equal to 100% of the actual replacement value (exclusive of costs of excavations, foundations, underground utilities and footings)

with a waiver of depreciation; (B) containing either an agreed amount endorsement or a waiver of all co-insurance provisions; and (C) providing for a deductible of not greater than \$50,000. If any portion of the Improvements is currently or at any time in the future located in a federally designated "special flood hazard area", Borrower shall obtain flood hazard insurance in such an amount as Lender shall require, but in no event less than the maximum amount of such insurance available under the National Flood Insurance Act of 1968, the Flood Disaster Protection Act of 1973 or the National Flood Insurance Reform Act of 1994, as each may be amended. In addition, in the event the Property is located in the State of California or in a "seismic zone" 3 or 4 (as defined in the Uniform Building Code published by the International Conference of Building Officials), Borrower shall obtain earthquake insurance in amounts and in form and substance satisfactory to Lender;

(ii) commercial general liability insurance against claims for personal injury, bodily injury, death or property damage occurring upon, in or about the Property, such insurance (A) to be on the "occurrence" form with a combined single limit (including "umbrella" coverage in place) of not less than (1) \$3,000,000 and a general aggregate limit of not less than \$4,000,000; or (2) if any of the Improvements contain elevators, a combined single limit of not less than \$5,000,000 and a general aggregate limit of \$6,000,000 and (B) to cover at least the following hazards: (1) premises and operations; (2) products and completed operations on an "if any" basis; (3) independent contractors; and (4) blanket contractual liability for all written and oral contracts, to the extent the same is available;

(iii) loss of rents insurance (A) with loss payable to Lender; (B) covering all risks required to be covered by the insurance provided for in Subsection 3.2(a)(i); and (C) on an agreed value actual loss sustained basis in an amount equal to 100% of the projected gross income from the Property for a period of twelve (12) months. The amount of such business income insurance shall be determined prior to the date hereof and at least once each year thereafter based on Borrower's reasonable estimate of the gross income from the Property for the succeeding twelve (12) month period. From and after the occurrence of an Event of Default, all insurance proceeds payable to Lender pursuant to this Subsection shall be held by Lender and shall be applied to the obligations secured hereunder from time to time due and payable hereunder and under the Note; provided, however, that nothing herein contained shall be deemed to relieve Borrower of its obligations to pay the obligations secured hereunder on the respective dates of payment provided for in the Note except to the extent such amounts are actually paid out of the proceeds of such loss of rents insurance;

(iv) at all times during which structural construction, material repairs or alterations are being made with respect to the Improvements, owner's contingent or protective liability insurance covering claims not covered by or under the terms or provisions of the above mentioned commercial general liability insurance policy;

(v) if Borrower has employees, workers' compensation, subject to the statutory limits of the state in which the Property is located, and employer's liability insurance with a limit of at least \$1,000,000 per accident and per disease per employee, and \$1,000,000 aggregate coverage for disease in respect of any work or operations on or about the Property, or in connection with the Property or its operation;

(vi) if the Property contains HVAC or other equipment not covered by the comprehensive all risk insurance, comprehensive boiler and machinery insurance, in amounts as shall be reasonably required by Lender;

(vii) if Borrower owns or operates motor vehicles, motor vehicle liability coverage for all owned and non-owned vehicles, including rented and leased vehicles containing minimum limits reasonably acceptable to Lender; and

(viii) such other insurance and in such amounts as Lender from time to time may reasonably request against such other insurable hazards which at the time are commonly insured against for property similar to the Property located in or around the region in which the Property is located (excluding

coverage against acts of terrorism), provided that the same is commercially available at commercially reasonable rates.

(b) All insurance provided for in Subsection 3.2(a) hereof shall be obtained under valid and enforceable policies (the "Policies" or in the singular, the "Policy") issued by one or more Qualified Insurers (as hereinafter defined), provided that if insurance from a Qualified Insurer is not commercially available, Borrower shall be permitted to obtain such insurance from an "insurer of last resort" approved, authorized or licensed to provide insurance in the state in which the Property is located. Such insurance shall be written on customary forms for the coverages required hereby and, except as otherwise expressly required by the provisions of this Section 3.2, may provide for commercially reasonable policy limits and sub-limits and normal and customary exclusions, exceptions and deductibles. Whether or not covered by the express terms of any Policy, Borrower shall not decline, elect not to accept, allow to lapse or fail to pay the required premium for any insurance coverage required to be extended or offered by any insurer by applicable law, rule or regulation without Lender's prior written consent. For purposes hereof, a "Qualified Insurer" shall mean an insurance company approved, authorized or licensed to provide insurance in the state in which the Property is located and have a rating of "A" or better for claims paying ability assigned by Moody's Investors Service, Inc. and Standard & Poor's Rating Group or a general policy rating of "A-" or better and a financial class of VIII or better assigned by A.M. Best Company, Inc.

(c) Borrower shall not obtain (i) any umbrella or blanket liability or casualty Policy unless, in each case, Lender's interest is included therein as provided in this Security Instrument and such Policy is issued by a Qualified Insurer, or (ii) separate insurance concurrent in form or contributing in the event of loss with that required in Subsection 3.2(a) to be furnished by, or which may be reasonably required to be furnished by, Borrower. In the event Borrower obtains separate insurance or an umbrella or a blanket Policy, Borrower shall notify Lender of the same and shall cause certified copies of each Policy to be delivered as required in Subsection 3.2(e). Any blanket insurance Policy shall specifically allocate to the Property the amount of coverage from time to time required hereunder or shall otherwise provide the same protection as would a separate Policy insuring only the Property in compliance with the provisions of Subsection 3.2(a).

(d) All Policies of insurance provided for or contemplated by Subsection 3.2(a), except for the Policy referenced in Subsection 3.2(a)(v), shall name Lender and Borrower as the insured or additional insured, as their respective interests may appear, and in the case of property damage, boiler and machinery, flood and earthquake insurance, shall contain a "mortgagee clause" in form acceptable to Lender providing, among other things, that Lender shall receive at least thirty (30) days prior written notification of any termination, cancellation or reduction of insurance and that the loss thereunder shall be payable to Lender.

(e) If not previously delivered to Lender, Borrower shall deliver to Lender no later than thirty (30) days after the date hereof certified copies of the existing Policies providing the insurance coverage required under Section 3.2(a) marked "premium paid" or accompanied by evidence satisfactory to Lender of payment of the premiums due thereunder (the "Insurance Premiums") monthly, quarterly or annually, as the case may be, in accordance with the requirements for payment contained in the Policies. In addition, prior to the expiration dates of the Policies which Borrower is now or hereafter required to maintain hereunder, Borrower shall deliver to Lender certificates of insurance on Accord Forms 25 and 27 (or such forms as may be required by the Rating Agencies) for the new or renewal Policies (accompanied by evidence reasonably satisfactory to Lender of payment of the monthly, quarterly or annual Insurance Premiums that shall have become due thereunder), setting forth, among other things, the amounts of insurance maintained, the risks covered by such insurance and the insurance company or companies which carry such insurance. Borrower shall deliver certified copies of the new or renewal Policies (including any blanket or umbrella Policy) Borrower is required to maintain under this Section 3.2 within the later of (1) thirty (30) days of Lender's request and (2) upon such certified copies of the new or renewal Policies being available for delivery by the applicable insurer(s). In addition, if requested by Lender, Borrower shall furnish verification of the adequacy of such insurance by an independent insurance broker or appraiser acceptable to Lender. Under no circumstances shall Borrower be permitted to finance the payment of any portion of the Insurance Premiums.

(f) If at any time Lender is not in receipt of written evidence that all insurance required hereunder is in full force and effect, Lender shall have the right, without notice to Borrower to take such action as

Lender deems necessary to protect its interest in the Property, including, without limitation, the obtaining of such insurance coverage as Lender in its sole discretion deems appropriate, and all expenses incurred by Lender in connection with such action or in obtaining such insurance and keeping it in effect shall be paid by Borrower to Lender upon demand and until paid shall be secured by this Security Instrument and shall bear interest in accordance with Section 10.3 hereof.

(g) If the Property shall be damaged or destroyed, in whole or in part, by fire or other casualty, Borrower shall give prompt notice of such damage to Lender, if the cost of repairing such damage is in excess of \$100,000, and shall promptly commence and diligently prosecute the completion of the repair and restoration of the Property as nearly as possible to the condition the Property was in immediately prior to such fire or other casualty, with such alterations as may be approved by Lender (the "Restoration") and otherwise in accordance with Section 4.3 of this Security Instrument, except in instances where Lender has failed or elected not to disburse Net Proceeds to Borrower under such Section 4.3 (provided that such exception shall not apply if the failure to disburse is attributable to Borrower's failure to comply with the conditions set forth in Clauses (A), (D) or (I) of Subsection 4.3(b)(i) or in Subsection 4.3(b)(ii) or any other conditions set forth in Section 4.3 which Borrower has the practical ability to satisfy). Lender may, but shall not be obligated to make proof of loss if not made promptly by Borrower.

(h) In the event of foreclosure of this Security Instrument, or other transfer of title to the Property in extinguishment in whole or in part of the Debt, all right, title and interest of Borrower in and to such policies then in force concerning the Property and all proceeds payable thereunder shall thereupon vest in the purchaser at such foreclosure or Lender or other transferee in the event of such other transfer of title.

3.3 PAYMENT OF TAXES, ETC. Borrower shall pay all taxes, assessments, water rates, sewer rents, governmental impositions, and other charges, now or hereafter levied or assessed or imposed against the Property or any part thereof (the "Taxes"), all ground rents, maintenance charges and similar charges, now or hereafter levied or assessed or imposed against the Property or any part thereof (the "Other Charges"), and all charges for utility services provided to the Property prior to the time the same become delinquent. Borrower will deliver to Lender, promptly upon Lender's request, evidence satisfactory to Lender that the Taxes, Other Charges and utility service charges have been so paid or are not then delinquent. Borrower shall not suffer and shall promptly cause to be paid and discharged any lien or charge whatsoever which may be or become a lien or charge against the Property. Except to the extent sums sufficient to pay all Taxes and Other Charges have been deposited with Lender in accordance with the terms of this Security Instrument, Borrower shall furnish to Lender paid receipts for the payment of the Taxes and Other Charges prior to the date the same shall become delinquent.

3.4 RESERVES. (a) Borrower shall pay to Lender on each date that a regularly scheduled payment of interest is due under the Note one-twelfth of an amount which would be sufficient to pay the Taxes payable, or estimated by Lender to be payable, during the next ensuing twelve (12) months (the amounts above shall be called the "Escrow Fund"). Borrower agrees to notify Lender immediately of any changes to the amounts, schedules and instructions for payment of any Taxes of which it has obtained knowledge and authorizes Lender or its agent to obtain the bills for Taxes and Other Charges directly from the appropriate taxing authority. The Escrow Fund and the payments of interest payable pursuant to the Note shall be added together and shall be paid as an aggregate sum by Borrower to Lender. Lender will apply the Escrow Fund to payments of Taxes required to be made by Borrower pursuant to Section 3.2 hereof. If the amount of the Escrow Fund shall exceed the amounts due for Taxes pursuant to Section 3.2 hereof, Lender shall, in its discretion, return any excess to Borrower or credit such excess against future payments to be made to the Escrow Fund. In allocating such excess, Lender may deal with the person shown on the records of Lender to be the owner of the Property. If the Escrow Fund is not sufficient to pay the items set forth in (a) and (b) above, Borrower shall promptly pay to Lender, upon demand, an amount which Lender shall estimate as sufficient to make up the deficiency. The Escrow Fund shall not constitute a trust fund and may be commingled with other monies held by Lender. No earnings or interest on the Escrow Fund shall be payable to Borrower.

(b) Borrower shall comply with the Replacement and Leasing Reserve Requirements set forth on Exhibit "B" attached hereto and made a part hereof.

(c) Borrower shall have the right to deliver a Letter of Credit in lieu of making payments to the Escrow Fund for the purposes of paying the Taxes subject to the terms and conditions set forth on Exhibit "C" hereto. If Borrower delivers a Letter of Credit, Lender shall have no obligation to apply the Escrow Fund or any proceeds of the Letter of Credit to the payment of the Taxes.

3.5 **CONDEMNATION.** Borrower shall promptly give Lender notice of the actual or threatened commencement of any condemnation or eminent domain proceeding and shall deliver to Lender copies of any and all papers served in connection with such proceedings. Lender may participate in any such proceedings, and Borrower shall from time to time deliver to Lender all instruments requested by it to permit such participation. Borrower shall, at its expense, diligently prosecute any such proceedings, and shall consult with Lender, its attorneys and experts, and cooperate with them in the carrying on or defense of any such proceedings. Notwithstanding any taking by any public or quasi-public authority through eminent domain or otherwise (including but not limited to any transfer made in lieu of or in anticipation of the exercise of such taking), Borrower shall continue to pay the Debt at the time and in the manner provided for its payment in the Note and in this Security Instrument and the Debt shall not be reduced until any award or payment therefor shall have been actually received and applied by Lender, after the deduction of expenses of collection, to the reduction or discharge of the Debt. Lender shall not be limited to the interest paid on the award by the condemning authority but shall be entitled to receive out of the award interest at the rate or rates provided herein or in the Note. If the Property or any portion thereof is taken by a condemning authority, Borrower shall promptly commence and diligently prosecute the Restoration of the Property and otherwise comply with the provisions of Section 4.3 of this Security Instrument, except in instances where Lender has failed or elected not to disburse Net Proceeds to Borrower under such Section 4.3 (provided that such exception shall not apply if the failure to disburse is attributable to Borrower's failure to comply with the conditions set forth in Clauses (A), (D) or (I) of Subsection 4.3(b)(i) or in Subsection 4.3(b)(ii) or any other conditions set forth in Section 4.3 which Borrower has the practical ability to satisfy). If the Property is sold, through foreclosure or otherwise, prior to the receipt by Lender of the award or payment, Lender shall have the right, whether or not a deficiency judgment on the Note shall have been sought, recovered or denied, to receive the award or payment, or a portion thereof sufficient to pay the Debt.

3.6 LEASES AND RENTS.

(a) Except as otherwise consented to by Lender, all Leases shall be written on a standard form of lease for the Property which shall have been submitted to Lender in connection with the origination of the Loan or otherwise approved by Lender. Upon request, Borrower shall furnish Lender with executed copies of all Leases. Except as required by changes in law or agreements with any association formed by the homeowners association for the Property established for the benefit of the pad site lessees and owners or lessees of manufactured homes to be placed thereon, provided that in no event shall any such agreements have a Material Adverse Effect (as hereinafter defined), no material changes may be made to the Lender-approved standard lease without the prior written consent of Lender, which approval shall not be unreasonably withheld or delayed. In addition, all renewals of Leases and all proposed leases shall be on arms length terms, shall provide for market rents then prevailing in the market area of the Property or as reasonably determined by Borrower in a manner consistent with prudent business practices of owners of similar properties and shall provide for free rent only if the same is consistent with prevailing market conditions; provided, however, (x) Borrower shall be permitted to offer leasing incentive consistent with its ordinary business and marketing practices and those of its affiliates, and (y) Borrower shall be permitted to allow month-to-month tenancies without obtaining written Lease renewals following the expiration of a Lease with an initial term of not less than six (6) months. Subject to the restrictions contained in this Section 3.6(a), Borrower shall be permitted to lease sites at the Property to Sun Home Services, Inc. ("SHS"), an affiliate of Borrower, as well as other dealers of manufactured homes, so that SHS and such other dealers may place manufactured homes on such sites and enter into residential lease agreements pursuant to which tenants shall lease such manufactured homes, and sublease such sites, from SHS or such other dealers; provided, however, SHS and such other dealers shall be permitted to terminate any of its leases with Borrower if the tenants of SHS or such other dealers default under their leases with SHS or such other dealers. All proposed commercial Leases and renewals of existing Leases for commercial space shall be subject to the prior approval of Lender and its counsel, at Borrower's expense. All Leases shall provide that they are subordinate to this Security Instrument and that the lessee agrees to attach to Lender. For purposes hereof, the term "Material Adverse Effect" shall mean a material adverse effect upon the current use or operation of the Property as a mobile home park, the

management of the Property in a manner consistent with industry standards for similar properties, the rent generated from the Property, or the ability of Lender to enforce the terms of the Loan Documents.

(b) Borrower (i) shall observe and perform all the obligations imposed upon the lessor under the Leases and shall not do or permit to be done anything to impair the value of the Leases as security for the Obligations; (ii) shall enforce all of the terms, covenants and conditions contained in the Leases upon the part of the lessee thereunder to be observed or performed, short of termination thereof; provided however, a residential Lease may be terminated in the event of a default by the tenant thereunder; (iii) shall not collect any of the Rents more than one (1) month in advance; (iv) shall not execute any other assignment of the lessor's interest in the Leases or the Rents; and (v) shall not consent to any assignment of or subletting under the Leases without the prior written consent of Lender, except in accordance with the terms of such Leases or otherwise in the ordinary course of business.

(c) Notwithstanding the provisions of Subsection 3.6(a) above, renewals of existing commercial Leases and proposed leases for commercial space covering less than ten percent (10%) of the total rentable space for the Property and accounting for rental income which in the aggregate is less than ten percent (10%) of the total rental income for the Property shall not be subject to the prior approval of Lender provided that (i) the renewal Lease or proposed lease shall have a lease term not to exceed ten (10) years including options to renew, (ii) the renewal Lease or proposed lease shall provide for rental rates and terms comparable to existing local market rates and terms, and (iii) the renewal Lease or proposed lease shall be an arms-length transaction with a bona fide, independent third party tenant. Borrower shall deliver to Lender copies of all Leases which are entered into pursuant to the preceding sentence together with Borrower's certification that it has satisfied all of the conditions of the preceding sentence within thirty (30) days after the execution of the Lease.

3.7 MAINTENANCE OF PROPERTY. Borrower shall cause the Property to be maintained in a good and safe condition and repair. The Improvements and the Personal Property shall not be removed, demolished or materially altered (except for normal replacement of the Personal Property and tenant improvements made in connection with a Lease which has been entered into by Borrower in accordance with the terms hereof and other capital improvements made in the ordinary course of business of operating a mobile home park) without the consent of Lender. Subject to the provisions of Subsection 3.2(g) and Section 3.5, Borrower shall promptly cause the repair, replacement or rebuilding of any part of the Property which may be destroyed by any casualty, or become damaged, worn or dilapidated or which may be affected by any proceeding of the character referred to in Section 3.5 hereof. Borrower shall not initiate, join in, acquiesce in, or consent to any change in any private restrictive covenant, zoning law or other public or private restriction, limiting or defining the uses which may be made of the Property or any part thereof. If under applicable zoning provisions the use of all or any portion of the Property is or shall become a nonconforming use, Borrower will not cause or permit the nonconforming use to be discontinued or abandoned without the express written consent of Lender which consent shall not be unreasonably withheld or delayed.

3.8 WASTE. Borrower shall not commit or suffer any waste of the Property or make any change in the use of the Property which will in any way materially increase the risk of fire or other hazard arising out of the operation of the Property, or take any action that might invalidate or give cause for cancellation of any Policy, or do or permit to be done thereon anything that may in any way materially impair the value of the Property or the security of this Security Instrument.

3.9 COMPLIANCE WITH LAWS. Borrower shall (i) promptly comply in all material respects with all existing and future federal, state and local laws, orders, ordinances, governmental rules and regulations or court orders affecting the Property, or the use thereof including, but not limited to, the Americans with Disabilities Act ("ADA") (collectively, the "Applicable Laws"), (ii) from time to time, upon Lender's request, provide Lender with evidence satisfactory to Lender that the Property complies in all material respects with all Applicable Laws or is exempt from compliance with Applicable Laws, (iii) give prompt notice to Lender of the receipt by Borrower of any notice related to a violation of any Applicable Laws and of the commencement of any proceedings or investigations which relate to compliance with Applicable Laws, and (iv) take appropriate measures to prevent and will not engage in or knowingly permit any illegal activities at the Property.

3.10 BOOKS AND RECORDS. (a) Borrower shall keep adequate books and records of account in accordance with methods of accounting reasonably acceptable to Lender and furnish to Lender:

(i) quarterly operating statements of the Property, prepared and certified by Borrower in substantially the same form as the operating statements delivered to Lender in connection with the closing of the Loan, detailing the revenues received, the expenses incurred and the net operating income before and after debt service (principal and interest) and major capital improvements for that quarter and containing appropriate year to date information within sixty (60) days after the end of each fiscal quarter;

(ii) certified rent rolls for the last month of each fiscal quarter signed and dated by Borrower, detailing the names of all tenants of the Improvements, the portion of Improvements occupied by each tenant, the rent and any other charges payable under each Lease and the term of each Lease, including the expiration date, and any other information as is reasonably required by Lender, within sixty (60) days after the end of each fiscal quarter;

(iii) an annual operating statement of the Property detailing the total revenues received, total expenses incurred, total cost of all capital improvements, total debt service and total cash flow, to be prepared and certified by Borrower in substantially the same form as the annual operating statements delivered to Lender in connection with the closing of the Loan, within ninety (90) days after the close of each fiscal year of Borrower and if available, any operating statements prepared by an independent certified public accountant within thirty (30) days of the date the same are made available to Borrower, and

(iv) an annual balance sheet and profit and loss statement of Borrower in substantially the same form as the balance sheet and profit and loss statement delivered to Lender in connection with the closing of the Loan, to be prepared and certified by Borrower within ninety (90) days after the close of each fiscal year of Borrower, and, if available, any financial statement prepared by an independent certified public accountant with respect to Borrower within thirty (30) days of the date the same are made available to any such persons.

(b) Upon Lender's request, Borrower shall cause each Guarantor and each Indemnitor to furnish to Lender no later than ninety (90) days after the end of the fiscal year for the applicable Guarantor or Indemnitor a financial statement for said fiscal year certified to Lender and prepared on a form reasonably acceptable to Lender. Notwithstanding anything to the contrary contained herein, Borrower shall not be required to furnish the financial information described in clause (a)(iii) or (a)(iv) above or this clause (b) so long as (A) Sun Communities Operating Limited Partnership, a Maryland corporation ("SCOLP") and Sun Communities, Inc., a Michigan corporation (the "Sponsor"), directly or indirectly, own all of the ownership interests in Borrower, (B) Sponsor remains as SCOLP's general partner and a publicly traded company and (C) the financial information required pursuant to clause (a)(iii), (a)(iv) and this clause (b) is available in public reports filed by the Sponsor in accordance with the requirements of applicable federal and State securities laws.

(c) Borrower, its affiliates, any Guarantor and any Indemnitor shall furnish Lender with such other additional financial or management information as may, from time to time, be reasonably required by Lender in form and substance reasonably satisfactory to Lender. Lender may commission new or updated appraisals, phase I and phase II environmental reports, property condition surveys and (if the Property is located in an area with a high degree of seismic activity) seismic risk assessments of the Property to be prepared by third parties (each a "Third Party") designated by Lender after the date hereof (each, a "Third Party Report"). Borrower shall cooperate with each Third Party and Lender in the preparation of the Third Party Reports and shall reimburse Lender within ten (10) days of Lender's demand for all costs incurred by Lender in connection with any of such Third Party Reports commissioned after the occurrence of an Event of Default and any environmental report commissioned as the result of Lender's determination that Hazardous Substances (as defined in the Environmental Indemnity) may have been introduced to the Property and/or a violation of Environmental Law may have occurred with respect to the Property. Any such reports commissioned by Lender shall be made available to Guarantors and may be relied upon by them to the extent permitted by the contractors furnishing such Third Party Reports.

3.11 PAYMENT FOR LABOR AND MATERIALS. Borrower will promptly pay when due all bills and costs for labor, materials, and specifically fabricated materials incurred by Borrower in connection with the Property and never permit to be created or exist in respect of Borrower's interest in the Property or any part thereof any other or additional lien or security interest other than the liens or security interests hereof, except for the Permitted Exceptions (defined below).

3.12 MANAGEMENT.

(a) Borrower represents and warrants to Lender that it self-manages the Property, and that it has not contracted with any third party to manage the operation, maintenance or leasing of the Property ("Management Services"). Borrower shall have the right, on at least thirty (30) days prior written notice, to delegate the Management Services to a third party manager (a "Manager"), subject to the following: (i) in no event shall the aggregate fees and other compensation payable to the Manager exceed five percent (5.0%) of the gross income from the Property, (ii) the Manager shall be a Qualified Manager (hereinafter defined), (iii) the Manager shall have entered into a management agreement with Borrower (a "Management Agreement") approved by Lender, which approval shall not be unreasonably withheld or delayed, and (iv) Borrower and the Manager shall have entered into an assignment of management agreement and subordination of management fees approved by Lender, which approval shall not be unreasonably withheld. If Borrower shall enter into any Management Agreement, then (1) Borrower shall diligently perform and observe all of the terms, covenants and conditions of the Management Agreement or any replacement thereof, on the part of Borrower to be performed and observed to the end that all things shall be done which are necessary to keep unimpaired the rights of Borrower under the Management Agreement, (2) Borrower shall promptly notify Lender of the giving of any notice by Manager to Borrower of any default by Borrower in the performance or observance of any of the terms, covenants or conditions of the Management Agreement on the part of Borrower to be performed and observed and deliver to Lender a true copy of each such notice, (3) Borrower shall not surrender the Management Agreement, consent to the assignment by the Manager of its interest under the Management Agreement, or terminate or cancel the Management Agreement, or modify, change, supplement, alter or amend the Management Agreement to increase the management fee, reduce the Manager's material obligations in any material respect or in any other manner as may result in a Material Adverse Effect, either orally or in writing without the prior written consent of Lender, which consent shall not be unreasonably withheld provided the Property shall at all times be managed by a Qualified Manager. Borrower hereby assigns to Lender as further security for the payment of the Debt and for the performance and observance of the terms, covenants and conditions of this Security Instrument, all the rights, privileges and prerogatives of Borrower to surrender any such Management Agreement, or to terminate, cancel, modify, change, supplement, alter or amend any such Management Agreement, and any such surrender of the Management Agreement, or termination, cancellation, modification, change, supplement, alteration or amendment of the Management Agreement, without the prior consent of Lender shall be void and of no force and effect. If Borrower shall default in the performance or observance of any material term, covenant or condition of the Management Agreement on the part of Borrower to be performed or observed, then, without limiting the generality of the other provisions of this Agreement, and without waiving or releasing Borrower from any of its obligations hereunder, Lender shall have the right upon notice to Borrower, but shall be under no obligation, to pay any sums and to perform any act or take any action as may be appropriate to cause all the terms, covenants and conditions of the Management Agreement on the part of Borrower to be performed or observed to be promptly performed or observed on behalf of Borrower, to the end that the rights of Borrower in, to and under the Management Agreement shall be kept unimpaired and free from default. Lender and any Person designated by Lender shall have, and are hereby granted, the right to enter upon the Property at any time upon reasonable prior written notice and subject to the rights of tenants under the Leases and from time to time for the purpose of taking any such action. If the Manager shall deliver to Lender a copy of any notice sent to Borrower of default under the Management Agreement, such notice shall constitute full protection to Lender for any action taken or omitted to be taken by Lender in good faith, in reliance thereon. Borrower shall not, and shall not permit the Manager to, sub-contract any or all of its management responsibilities under the Management Agreement to a third-party except as expressly permitted in the Management Agreement without the prior written consent of Lender, which consent shall not be unreasonably withheld or delayed. Borrower shall, from time to time, use reasonable efforts to obtain from the Manager such certificates of estoppel with respect to compliance by Borrower with the terms of the Management Agreement as may be requested by Lender, provided that, Lender shall have the right to request such an estoppel not more than one (1) time per calendar year. Any sums expended by Lender pursuant to this paragraph shall bear interest at the Default Rate from the date such cost is incurred to the date of payment to

Lender, (x) shall be deemed to constitute a portion of the Debt, (y) shall be secured by the lien of the Security Instrument and the other Loan Documents and (z) shall be immediately due and payable upon demand by Lender therefor. As used herein, the term "Qualified Manager" shall mean (A) an Affiliate of Sponsor (hereinafter defined) or (B) a reputable and experienced professional management organization (I) which manages, together with its Affiliates, at least ten (10) properties of a type and quality (or superior quality) to the Property, totaling in the aggregate no less than 2,000 mobile home pad sites, of which at least 1,000 sites shall be located in Delaware (all exclusive of the Property) and (II) prior to whose employment as Manager shall have been approved by Lender, such approval not to be unreasonably withheld or delayed.

(b) Without limitation to the foregoing, if at any time: (i) there exists an Event of Default, (ii) there exists a material default by a Manager under a Management Agreement beyond any applicable notice and cure period, or (iii) without limitation to (i), the Maturity Date has occurred and the Debt has not been repaid in full, Borrower, upon the request of Lender, shall (y) if it is then self-managing the Property, retain a third party Manager or (z) if a third party Manager is then managing the Property, terminate the Management Agreement and replace the Manager, without penalty or fee. Any such new or replacement Manager shall be a Qualified Manager that shall assume management of the Property pursuant to a replacement management agreement that is reasonably acceptable to Lender. At the time such new or replacement Management Agreement is entered into, Borrower and the related Manager shall enter into an assignment of management agreement and subordination of management fees in favor of Lender that is reasonably acceptable to Lender.

(c) Except for the delegation of Management Services to an Affiliate of Sponsor, Lender may condition any required consent or approval of it under this Section 3.12 upon confirmation from the Rating Agencies rating any class of Securities that the related matter shall not result in the downgrade, qualification or withdrawal of the then current ratings of any class of Securities.

3.13 PERFORMANCE OF OTHER AGREEMENTS. Borrower shall observe and perform in all material respects each and every term to be observed or performed by Borrower pursuant to the terms of any agreement or recorded instrument given by Borrower to Lender for the purpose of further securing an obligation secured hereby and any amendments, modifications or changes thereto. In addition, Borrower shall observe and perform in all material respects all other agreements to be observed or performed by Borrower pursuant to the terms of any agreement or recorded instrument affecting or pertaining to the Property and to which Borrower is a party or otherwise subject to the extent necessary to avoid a Material Adverse Effect.

3.14 CHANGE OF NAME, IDENTITY OR STRUCTURE. Borrower will not change Borrower's name, identity (including its trade name or names) or, if not an individual, Borrower's corporate, limited liability company, partnership or other structure (without regard to the ownership composition of Borrower) without notifying Lender of such change in writing at least thirty (30) days prior to the effective date of such change and, in the case of a change in Borrower's structure, without first obtaining the prior written consent of Lender. Borrower will execute and deliver to Lender, prior to or contemporaneously with the effective date of any such change, any financing statement or financing statement change required by Lender to establish or maintain the validity, perfection and priority of the security interest granted herein, and to the extent permitted by applicable law, hereby authorizes Lender to file any such financing statement on Borrower's behalf. At the request of Lender, Borrower shall execute a certificate in form satisfactory to Lender listing the trade names under which Borrower intends to operate the Property, and representing and warranting that Borrower does business under no other trade name with respect to the Property.

3.15 EXISTENCE. Borrower will continuously maintain its existence and its rights to do business in the state where the Property is located together with its franchises and trade names.

3.16 OFAC. At all times throughout the term of the Loan, Borrower and all of its respective Affiliates shall (i) not be a Prohibited Person (defined below) and (ii) be in full compliance with all applicable orders, rules, regulations and recommendations of The Office of Foreign Assets Control ("OFAC") of the U.S. Department of the Treasury.

The term "Prohibited Person" shall mean any person or entity:

- (a) listed in the Annex to, or otherwise subject to the provisions of, the Executive Order No. 13224 on Terrorist Financing, effective September 24, 2001, and relating to Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism (the "Executive Order");
- (b) that is owned or controlled by, or acting for or on behalf of, any person or entity that is listed to the Annex to, or is otherwise subject to the provisions of, the Executive Order.
- (c) with whom Lender is prohibited from dealing or otherwise engaging in any transaction by any terrorism or money laundering law, including the Executive Order;
- (d) who commits, threatens or conspires to commit or supports "terrorism" as defined in the Executive Order;
- (e) that is named as a "specially designated national and blocked person" on the most current list published by the U.S. Treasury Department Office of Foreign Assets Control at its official website, www.ustreas.gov/offices/enforcement/ofac or at any replacement website or other replacement official publication of such list; or
- (f) who is an Affiliate of or affiliated with a person or entity listed above.

As used in this Security Instrument, (y) the term "Affiliate", as used herein, shall mean, as to any person or entity, any other person or entity that, directly or indirectly, is in control of, is controlled by or is under common control with such person or entity or is a director or officer of such person or entity, or of an Affiliate of such person or entity, and (z) the term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of management, policies or activities of a person or entity, whether through ownership of voting securities, by contract or otherwise.

4 - SPECIAL COVENANTS

Borrower covenants and agrees that:

4.1 PROPERTY USE. The Property shall be used only as a mobile home community and for no other use without the prior written consent of Lender, which consent may be withheld in Lender's sole and absolute discretion.

4.2 SPECIAL PURPOSE ENTITY. Until the Debt has been paid in full, Borrower hereby represents, warrants and covenants that it is and shall continue to be a Special Purpose Entity. A "Special Purpose Entity" means a corporation, limited liability company or partnership, which (a) does not have and will not incur any debt, secured or unsecured, direct or contingent (including guaranteeing any obligation), other than, with respect to Borrower and, if Borrower is a partnership, each of its Special Purpose Entity general partners, the following: (i) the Debt, (ii) trade payables and capital expenditures incurred in the ordinary course of the business of owning and operating the Property, provided that such trade payables and capital expenditures (A) shall not be evidenced by a note, (B) shall be paid within sixty (60) days of the date incurred and (C) shall not exceed, in the aggregate, three percent (3%) of the outstanding principal balance of the Loan at any one time, (iii) real estate taxes and assessments, and (iv) obligations under equipment leases and purchase money financing arrangements entered into in connection with the leasing or purchase of equipment reasonably required in connection with the ownership and operation of the Property, provided that the sum of the purchase price (or in the case of leased equipment, the amount that would have been paid in order to purchase, instead of lease) for such equipment shall not exceed, in the aggregate, one percent (1%) of the outstanding principal balance of the Loan at any one time; (b) if such entity is a limited liability company, has as its manager or managing member a Special Purpose Entity that owns at least one half percent (.50%) of the membership interests of the limited liability company; (c) if such entity is a partnership, has a general partner of such entity that is a Special Purpose Entity that owns at least one percent (1.0%) of the partnership interests in such partnership, (d) has Charter Documents that provide that such entity will not: (1) dissolve, merge, liquidate, consolidate; (2) sell all or substantially all of its assets or the assets

of any entity in which it has a direct or indirect interest, except as otherwise provided in the Loan Documents; (3) engage in any other business activity, or amend its organizational documents with respect to the matters set forth in this Section 4.2 without the consent of the Lender; or (4) without the affirmative vote of all of the directors of the corporation or directors or managers of a limited liability company (that is such entity, the managing member or a general partner of such entity), file a bankruptcy or insolvency petition or otherwise institute insolvency proceedings with respect to itself or to any other entity in which it has a direct or indirect legal or beneficial ownership interest; and (e) at all times from and after June 30, 1997 (and to Borrower's knowledge with respect to the representations in clauses (i), (ii) and (iii) below, from and after the date of its inception):

(i) has been, and continuing from and after the date hereof shall remain, organized solely for the purpose of (i) acquiring, developing, owning, holding, selling, leasing, transferring, exchanging, managing and operating the Property, obtaining the Loan from Lender and transacting lawful business that is incident, necessary and appropriate to accomplish the foregoing; (ii) acting as a general partner of the partnership that owns the Property; or (iii) acting as a managing member of the general partners of the partnership that owns the Property;

(ii) has not engaged in, and continuing from and after the date hereof shall not engage in, any business or activity unrelated to (i) the acquisition, development, ownership, management or operation of the Property, (ii) acting as a member and or manager of the limited liability company that is a general partner of the partnership that owns the Property; or (iii) acting as a general partner of the partnership that owns the Property;

(iii) has not owned, and continuing from and after the date hereof shall not own, any material assets other than (i) the Property, (ii) such incidental Personal Property as may be necessary for the operation of the Property, (iii) the membership interest in the limited liability company that is a general partner of the partnership that owns the Property; or (iv) the general partnership interest in the partnership that owns the Property;

(iv) has not engaged in, sought or consented to, and continuing from and after the date hereof shall not engage in, seek or consent to, any dissolution, winding up, liquidation, consolidation, merger, or sale of all or substantially all of its assets, or transfer of its partnership or membership interests, or any stock or beneficial ownership of, any entity, except as permitted under Section 8 of this agreement;

(v) has preserved, and continuing from and after the date hereof will preserve, its existence as an entity duly organized and validly existing under the laws of the jurisdiction of its organization or formation and will not without the prior written consent of Lender, amend, modify, terminate or fail to comply with the provisions of its operating agreement, articles of formation, partnership agreement or certificate of partnership, certificate of incorporation, by-laws or similar organizational documents, as the case may be (collectively, the "Charter Documents"), or consent to or suffer the amendment, modification, termination or breach of any of the Charter Documents, or amend, modify, terminate or fail to comply with, or consent or suffer the amendment, modification, termination or breach of any Charter Documents of any entity in which it owns an interest, in each case in such a manner as could reasonably jeopardize Borrower's status as a bankruptcy remote entity;

(vi) has not owned, and continuing from and after the date hereof, shall not own or make any investment in, any individual, corporation, partnership, joint venture, limited liability company, estate, trust, unincorporated association, any federal, state, county or municipal government or any bureau, department or agency thereof or any fiduciary acting in such capacity on behalf of any of the foregoing (each, a "Person") other than Borrower or a Special Purpose Entity owning an interest in Borrower;

(vii) has not commingled, and from and after the date hereof, shall not commingle its assets with the assets of any of its general partners, managing members, shareholders, Affiliates, principals or of any other person or entity;

(viii) has maintained, and from and after the date hereof shall maintain, its financial statements, accounting records, bank accounts and other entity documents separate and apart from those of the partners, members, shareholders, principals and Affiliates of such entity, and has not permitted and will not permit its assets to be listed as assets on the financial statement of any other entity except that such entity's financial position, assets, results of operations and cash flows may be included in the consolidated financial statements of an Affiliate of such entity; provided, however, that any such consolidated financial statement shall contain a note indicating that its separate assets and liabilities are neither available to pay the debts of the consolidated entity nor constitute obligations of the consolidated entity;

(ix) has not entered into or been a party to, and from and after the date hereof, will not enter into or be a party to any contract or agreement with any general partner, managing member, shareholder, principal or Affiliate of Borrower, Guarantor or Indemnitor, or any general partner, managing member, shareholder, principal or Affiliate thereof, except upon terms and conditions that are intrinsically fair and substantially similar to those that would be available in a comparable arms-length basis with third parties;

(x) has maintained, and from and after the date hereof shall maintain, its assets in such a manner that it will not be costly or difficult to segregate, ascertain or identify its individual assets from those of any other Person;

(xi) has not made, and from and after the date hereof shall not make any loans to any third party;

(xii) has held itself out and identified itself, and from and after the date hereof shall hold itself out and identify itself, to the public as a legal entity separate and distinct from any other Person;

(xiii) has conducted, and from and after the date hereof shall conduct, its business solely in its own name in order not (i) to mislead others as to the identity with which such other party is transacting business, or (ii) to suggest that such entity is responsible for the debts of any third party (including any general partner, managing member, shareholder, principal or Affiliate of such entity, but not including any Special Purpose Entity limited partnership of which such entity is expressly permitted to be a general partner in accordance with the terms hereof);

(xiv) has remained, and from and after the date hereof intends to remain, solvent and which pay its debt and liabilities (including, as applicable, shared personnel and overhead expenses) from the revenue generated from the operation of the Property, provided that the foregoing covenant shall not require the general partners, shareholders or members, as the case may be, of such Special Purpose Entity to make any additional capital contributions to such Special Purpose Entity;

(xv) has maintained, and from and after the date hereof, will maintain, to the extent available from the cash flow generated from the operation of the Property, adequate capital for the normal obligations reasonably foreseeable in a business of its size and character and in light of its contemplated business operations ;

(xvi) has filed, and from and after the date hereof, will file its own tax returns, if any, as may be required under applicable law, to the extent such entity is (1) not part of a consolidated group filing a consolidated return or returns or (2) not treated as a division solely for tax purposes of another taxpayer, and has paid and will pay any taxes so required to be paid under applicable law;

(xvii) has allocated, and from and after the date hereof, will allocate fairly and reasonably any overhead expenses that are shared with an Affiliate, including paying for office space and services performed by any employee of an Affiliate;

(xviii) has not failed, and from and after the date hereof shall not fail, to correct any known misunderstanding regarding the separate identity of such entity;

- (xix) has held, and from and after the date hereof shall hold, its assets in its own name and has conducted and will conduct its business in its own name;
- (xx) has paid, and from and after the date hereof shall pay, its own liabilities and expenses;
- (xxi) has observed, and from and after the date hereof shall observe, all corporate, limited liability company or partnership formalities, as applicable;
- (xxii) has not assumed, guaranteed or become obligated for, and from and after the date hereof shall not assume or guarantee or become obligated for, the debts of any other Person or hold out its credit as being available to satisfy the obligations of any other Person except by virtue of its status as a Special Purpose Entity general partner of a Special Purpose Entity partnership that has been approved by Lender;
- (xxiii) has not acquired, and from and after the date hereof, will not acquire obligations or securities of its partners, members or shareholders or any other Affiliate;
- (xxiv) has maintained and used, and from and after the date hereof will maintain and use, separate stationery, invoices and checks bearing its name;
- (xxv) has not pledged, and from and after the date hereof shall not pledge, its assets for the benefit of any other Person;
- (xxvi) has not had, and from and after the date hereof will not have, any of its obligations guaranteed by any Affiliate of such entity, except as is contemplated in this agreement;
- (xxvii) has complied, and from and after the date hereof will comply, with all of the material terms and provisions contained in its Charter Documents; and
- (xxviii) has conducted and operated, and from and after the date hereof shall conduct and operate, its business as presently conducted and operated and in compliance with the requirements of its Charter Documents.

Notwithstanding the foregoing, the following operations and activities of Borrower and its Affiliates shall not be considered a violation of the covenants contained in this Section 4.2:

1. offering services to residents of the Property through Affiliates of Borrower or other third parties for which fees and charges may be collected by Borrower or the Affiliate and paid to such Affiliate or third party, which may include, without limitation, cable and internet services, landscaping, snow removal, lease or sale of manufactured homes, and child care; provided that such Affiliates do not conduct their business in the name of Borrower and that any agreements between Borrower and its Affiliates relating to such services are on commercially reasonable terms similar to those of an arm's length transaction;
2. depositing all gross revenue, whether cash, cash equivalents or similar assets, in an operating account maintained specifically for the Property (a "Property Operating Account"), after paying expenses of Borrower or causing SCOLP and/or Sponsor, to pay such expenses, and distributing such remaining cash to Sponsor, SCOLP, or at the direction of Sponsor or SCOLP, as applicable, to any other Affiliate of Borrower, and in any case, distributing such remaining cash that does not belong to the Borrower promptly to such entities;
3. paying all payables, debts and other liabilities arising from or in connection with the operation of the Property from the Property Operating Account, or causing SCOLP and/or Sponsor to pay such liabilities;
4. using ancillary assets in connection with the operation of the Property held in the name of Sponsor, SCOLP, or any of their Affiliates, such as vehicles and office and maintenance equipment;

5. treating the Property for all purposes as part of and within the portfolio of manufactured housing communities owned by SCOLP or its Affiliates, for marketing, promotion and providing information and reports to the public or as required by any applicable law; provided, however, that Borrower shall conduct business in its own name or its assumed or trade name; and/or

6. allocating general overhead and administrative costs incurred by Sponsor and SCOLP and/or other Affiliates of Borrower in a fair and equitable manner.

4.3 RESTORATION. The following provisions shall apply in connection with the Restoration of the Property:

(a) If the Net Proceeds shall be less than \$500,000 and the costs of completing the Restoration shall be less than \$500,000, the Net Proceeds will be disbursed by Lender to Borrower upon receipt, provided that all of the conditions set forth in Subsection 4.3(b)(i) are met and Borrower delivers to Lender a written undertaking to expeditiously commence and to satisfactorily complete with due diligence the Restoration in accordance with the terms of this Security Instrument.

(b) If the Net Proceeds are equal to or greater than \$500,000 or the costs of completing the Restoration is equal to or greater than \$500,000, Lender shall make the Net Proceeds available for the Restoration in accordance with the provisions of this Subsection 4.3(b). The term "Net Proceeds" for purposes of this Section 4.3 shall mean: (i) the net amount of all insurance proceeds received by Lender pursuant to Subsections 3.2(a)(i), (iv), and (vi) of this Security Instrument as a result of such damage or destruction (or any proceeds of self-insurance maintained in lieu of such insurance policies), after deduction of its reasonable costs and expenses (including, but not limited to, reasonable counsel fees), if any, in collecting same ("Insurance Proceeds"), or (ii) the net amount of all awards and payments received by Lender with respect to a taking referenced in Section 3.5 of this Security Instrument, after deduction of its reasonable costs and expenses (including, but not limited to, reasonable counsel fees), if any, in collecting same ("Condemnation Proceeds"), whichever the case may be.

(i) The Net Proceeds shall be made available to Borrower for the Restoration provided that each of the following conditions are met: (A) no Event of Default shall have occurred and be continuing under the Note, this Security Instrument or any of the other Loan Documents; (B) (1) in the event of the Net Proceeds are Insurance Proceeds, less than fifty percent (50%) of the total floor area of the Improvements has been damaged, destroyed, or rendered unusable as a result of such fire or other casualty or (2) in the event the Net Proceeds are Condemnation Proceeds, less than ten percent (10%) of the land constituting the Property is taken, and such land is located along the perimeter or periphery of the Property; (C) Leases demising in the aggregate a percentage amount equal to or greater than fifty percent (50%) (with respect to casualties) or ninety percent (90%) (with respect to condemnation) of the total net rentable space in the Property which has been demised under executed and delivered Leases in effect as of the date of the occurrence of such fire or other casualty, as the case may be, shall remain in full force and effect during and after the completion of the Restoration; (D) Borrower shall have commenced the Restoration as soon as reasonably practicable (but in no event later than ninety (90) days after the settlement of the related insurance claim or determination of the condemnation award) and shall diligently pursue the same to satisfactory completion; (E) Lender shall be satisfied that any operating deficits, including all scheduled payments of principal and interest under the Note at the Applicable Interest Rate (as defined in the Note), which will be incurred with respect to the Property as a result of the occurrence of any such fire or other casualty or taking, whichever the case may be, will be covered out of (1) the Net Proceeds, (2) the insurance coverage referred to in Subsection 3.2(a)(iii), if applicable, or (3) by other funds of Borrower; (F) Lender shall be satisfied that following the completion of the Restoration, the ratio of sustainable net cash flow for the Property (after deduction for underwritten reserves) to debt service payable under the Note shall be at least 1.20 to 1.00; (G) Lender shall be reasonably satisfied that the Restoration will be completed on or before the earliest to occur of (1) twelve (12) months prior to the Maturity Date (as defined in the Note), (2) twelve (12) months after the occurrence of such fire or other casualty or taking, whichever the case may be, (3) the earliest date required for such completion under the terms of any Leases which are required in accordance with the provisions of this Subsection 4.3(b) to remain in effect subsequent to the occurrence of such fire or other casualty or taking, whichever the case may be, and the completion of the Restoration or (4) such time as may be required under any applicable

zoning laws, ordinances, rules or regulations in order to repair and restore the Property to the condition it was in immediately prior to such fire or other casualty or to as nearly as possible the condition it was in immediately prior to such taking, as applicable; (H) the Property and the use thereof after the Restoration will be in compliance with and permitted under all applicable zoning laws, ordinances, rules and regulations; (I) the Restoration shall be done and completed by Borrower in an expeditious and diligent fashion and in compliance with all applicable laws, rules and regulations; and (J) such fire or other casualty or taking, as applicable, does not result in the loss of access to the Property or the Improvements.

(ii) The Net Proceeds shall be held by Lender and, until disbursed in accordance with the provisions of this Subsection 4.3(b), shall constitute additional security for the Obligations. The Net Proceeds shall be disbursed by Lender to, or as directed by, Borrower from time to time during the course of the Restoration, upon receipt of evidence satisfactory to Lender that (A) all materials installed and work and labor performed (except to the extent that they are to be paid for out of the requested disbursement) in connection with the Restoration have been paid for in full, and (B) there exist no notices of pendency, stop orders, mechanic's or materialman's liens or notices of intention to file same, or any other liens or encumbrances of any nature whatsoever on the Property arising out of the Restoration which have not either been fully bonded to the satisfaction of Lender and discharged of record or in the alternative fully insured to the satisfaction of Lender by the title company insuring the lien of this Security Instrument.

(iii) All plans and specifications required in connection with the Restoration shall be subject to prior review and approval in all respects by Lender and by an independent consulting engineer selected by Lender (the "Casualty Consultant"), which approval shall not be unreasonably withheld or delayed. Lender shall have the use of the plans and specifications and all permits, licenses and approvals required or obtained in connection with the Restoration. The identity of the contractors, subcontractors and materialmen engaged in the Restoration, as well as the contracts under which they have been engaged, shall be subject to prior review and acceptance by Lender and the Casualty Consultant, which approval shall not be unreasonably withheld or delayed. All costs and expenses incurred by Lender in connection with making the Net Proceeds available for the Restoration including, without limitation, reasonable counsel fees and disbursements and the Casualty Consultant's fees, shall be paid by Borrower.

(iv) In no event shall Lender be obligated to make disbursements of the Net Proceeds in excess of an amount equal to the costs actually incurred from time to time for work in place as part of the Restoration, as certified by the Casualty Consultant, minus the Casualty Retainage. The term "Casualty Retainage" as used in this Subsection 4.3(b) shall mean an amount equal to 10% of the costs actually incurred for work in place as part of the Restoration, as certified by the Casualty Consultant, until the Restoration has been completed. The Casualty Retainage shall in no event, and notwithstanding anything to the contrary set forth above in this Subsection 4.3(b), be less than the amount actually held back by Borrower from contractors, subcontractors and materialmen engaged in the Restoration. The Casualty Retainage shall not be released until the Casualty Consultant certifies to Lender that the Restoration has been completed in accordance with the provisions of this Subsection 4.3(b) and that all approvals necessary for the re-occupancy and use of the Property have been obtained from all appropriate governmental and quasi-governmental authorities, and Lender receives evidence reasonably satisfactory to Lender that the costs of the Restoration have been paid in full or will be paid in full out of the Casualty Retainage, provided, however, that Lender will release the portion of the Casualty Retainage being held with respect to any contractor, subcontractor or materialman engaged in the Restoration as of the date upon which the Casualty Consultant certifies to Lender that the contractor, subcontractor or materialman has satisfactorily completed all work and has supplied all materials in accordance with the provisions of the contractor's, subcontractor's or materialman's contract, and the contractor, subcontractor or materialman delivers the lien waivers and evidence of payment in full of all sums due to the contractor, subcontractor or materialman as may be reasonably requested by Lender or by the title company insuring the lien of this Security Instrument. If required by Lender, the release of any such portion of the Casualty Retainage shall be approved by the surety company, if any, which has issued a payment or performance bond with respect to the contractor, subcontractor or materialman.

(v) Lender shall not be obligated to make disbursements of the Net Proceeds more frequently than once every calendar month.

(vi) If at any time the Net Proceeds or the undisbursed balance thereof shall not, in the reasonable opinion of Lender, be sufficient to pay in full the balance of the costs which are estimated by the Casualty Consultant to be incurred in connection with the completion of the Restoration, Borrower shall deposit the deficiency (the "Net Proceeds Deficiency") with Lender before any further disbursement of the Net Proceeds shall be made. The Net Proceeds Deficiency deposited with Lender shall be held by Lender and shall be disbursed for costs actually incurred in connection with the Restoration on the same conditions applicable to the disbursement of the Net Proceeds, and until so disbursed pursuant to this Subsection 4.3(b) shall constitute additional security for the Obligations. With respect to Restorations following a casualty in which the Improvements are restored to substantially the same condition as they existed prior to the casualty, the excess, if any, of the Net Proceeds and the remaining balance, if any, of the Net Proceeds Deficiency deposited with Lender after the Casualty Consultant certifies to Lender that the Restoration has been completed in accordance with the provisions of this Subsection 4.3(b), and the receipt by Lender of evidence reasonably satisfactory to Lender that all costs incurred in connection with the Restoration have been paid in full, shall be remitted by Lender to Borrower, provided no Event of Default shall have occurred and shall be continuing under the Note, this Security Instrument or any of the other Loan Documents.

(c) All Net Proceeds not required (i) to be made available for the Restoration or (ii) to be returned to Borrower as excess Net Proceeds pursuant to Subsection 4.3(b)(vi) may be retained and applied by Lender toward the payment of the Debt whether or not then due and payable in such order, priority and proportions as Lender in its discretion shall deem proper or, at the discretion of Lender, the same may be paid, either in whole or in part, to Borrower for such purposes as Lender shall designate, in its discretion. Provided no Event of Default exists under the Note, this Security Instrument or the other Loan Documents, Borrower shall not be obligated to pay any prepayment premium or other prepayment consideration in connection with a prepayment resulting from the application of Net Proceeds to the Debt pursuant to the preceding sentence. Any such prepayment shall be applied to the principal last due under the Note and shall not release Borrower from the obligation to pay the Monthly Payments (as defined in the Note) next becoming due under the Note and the Monthly Payment shall not be adjusted or recalculated as a result of such partial prepayment. If Lender shall receive and retain Net Proceeds, the lien of this Security Instrument shall be reduced only by the amount thereof received and retained by Lender and actually applied by Lender in reduction of the Debt.

4.4 LOCK BOX ACCOUNT. (a) Upon the occurrence of an Event of Default, provided a lock box procedure has not otherwise been instituted under any other provision of the Loan Documents, Lender shall have the right, upon written notice to Borrower to require that, from and after the next succeeding date of payment of an installment of principal and interest under the Note, all Rents with respect to the Property, at Lender's discretion, be paid directly to the property manager for the Property (the "Manager") and deposited daily by the Manager in the name designated by Lender directly to a designated lock-box account (the "Lock-Box Account"), opened by Lender at a bank (the "Lock-Box Bank"), which account shall be within the exclusive control of Lender.

(b) Upon receipt of notice from Lender as set forth in Subsection (a) above, Borrower shall enter into and shall cause Manager to enter into a lock-box agreement with Lender in a form reasonably satisfactory to Lender, which form shall substantially reflect the provisions of this Section (provided, however, that Borrower's obligations under this Section 4.4 (including Borrower's obligation to cause Manager to deposit Rents in the Lock-Box Account in accordance with Section 4.4(a) above) shall not be dependent upon the execution of any such lock-box agreement). If, in Lender's judgment, the Manager's performance in collecting Rents shall decline, Borrower shall irrevocably instruct and otherwise cause each party paying such Rents (including each tenant under any Lease) to make all payments (A) if by wire transfer, to the Lock Box Account, and (B) if by check, money order or similar manner of payment, by mail to a designated lock box (the "Lock Box") within the exclusive control of Lender. Amounts deposited into the Lock-Box shall be collected and deposited daily by the Lock-Box Bank into the Lock-Box Account. Borrower agrees that if any Rents required to be deposited in the Lock Box Account shall be received by it or any affiliate or any manager of all or any portion

of the Property, Borrower shall deposit or cause such Rents to be deposited in the Lock Box Account within one (1) Business Day of the receipt of such Rents by Borrower, any affiliate or any manager.

(c) Amounts on deposit in the Lock-Box Account on any date of payment of an installment of principal and interest under the Note shall be applied in the following order of priority: (i) to pay any Taxes, Other Charges or Insurance Premiums then due and payable; (ii) to pay the Lock-Box Bank's fees; (iii) to pay interest and principal due on such date with respect to the Note; (iv) to replenish all reserves and escrow funds required to be paid by Borrower to Lender under the Note, this Security Instrument and the other Loan Documents; and (v) to pay normal and customary operating expenses of the Property which have been approved by Lender.

(d) In the event that Lender shall have the right to institute lock box procedures pursuant to any other provision of the Loan Documents, the terms and provisions of such provision shall supersede the provisions of this Section 4.4.

(e) In the event that lockbox procedures shall be instituted pursuant to the provisions of this Section 4.4 and thereafter Lender shall accept the cure of such Event of Default in writing or waive such Event of Default, such lockbox procedures shall be discontinued subject to Lender's right to reinstitute the same upon the occurrence of any future Event of Default.

5 - REPRESENTATIONS AND WARRANTIES

Borrower represents and warrants to Lender that:

5.1 WARRANTY OF TITLE. Borrower has paid for and has good title to the Property and has the right to mortgage, grant, bargain, sell, pledge, assign, warrant, set over, transfer and convey the same and that Borrower possesses an unencumbered fee simple absolute estate in the Land and the Improvements and that it owns the Property free and clear of all liens, encumbrances and charges whatsoever except for those exceptions shown in the title insurance policy insuring the lien of this Security Instrument (the "Permitted Exceptions"). The Permitted Exceptions do not and will not materially adversely affect or interfere with the value, or materially adversely affect or interfere with the current use or operations, of the Property, or the security intended to be provided by this Security Instrument or the ability of Borrower to repay the Note or any other amount owing under the Note, this Security Instrument, or the other Loan Documents or to perform its obligations thereunder in accordance with the terms of the Note, this Security Instrument or the other Loan Documents. Borrower shall forever warrant, defend and preserve the title and the validity and priority of the lien of this Security Instrument and shall forever warrant and defend the same to Lender against the claims of all persons whomsoever.

5.2 AUTHORITY. Borrower (and the undersigned representative of Borrower, if any) has full power, authority and legal right to execute this Security Instrument, and to mortgage, grant, bargain, sell, pledge, assign, warrant, set-over, transfer and convey the Property pursuant to the terms hereof and to keep and observe all of the terms of this Security Instrument on Borrower's part to be performed.

5.3 LEGAL STATUS AND AUTHORITY. Borrower (a) is duly organized, validly existing and in good standing under the laws of its state of organization or incorporation; (b) is duly qualified to transact business and is in good standing in the State where the Property is located; and (c) has all necessary approvals, governmental and otherwise, and full power and authority to own the Property and carry on its business as now conducted and proposed to be conducted. Borrower now has and shall continue to have the full right, power and authority to operate and lease the Property, to encumber the Property as provided herein and to perform all of the other obligations to be performed by Borrower under the Note, this Security Instrument and the other Loan Documents.

5.4 VALIDITY OF DOCUMENTS. (a) The execution, delivery and performance of the Note, this Security Instrument and the other Loan Documents and the borrowing evidenced by the Note (i) are within the partnership power of Borrower; (ii) have been authorized by all requisite partnership action; (iii) to the best of Borrower's knowledge, have received all necessary approvals and consents, whether corporate, governmental or otherwise; (iv) will not violate, result in a breach of or constitute (with notice or lapse of time, or both) a default

under any provision of law, any order or judgment of any court or governmental authority of which Borrower is aware, the partnership agreement or other governing instrument of Borrower, or any indenture, agreement or other instrument to which Borrower is a party or by which it or any of its assets or the Property is or may be bound or affected; (v) will not result in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of its assets, except the lien and security interest created hereby; and (vi) will not require any authorization or license from, or any filing with, any governmental or other body (except for the recordation of this instrument in appropriate land records in the State where the Property is located and except for Uniform Commercial Code filings relating to the security interest created hereby); and (b) the Note, this Security Instrument and the other Loan Documents constitute the legal, valid and binding obligations of Borrower.

5.5 LITIGATION. There is no action, suit or proceeding, judicial, administrative or otherwise (including any condemnation or similar proceeding), pending or, to the best of Borrower's knowledge, threatened or contemplated against, or affecting, Borrower, a Guarantor, if any, an Indemnitor, if any, or the Property, and which if determined adversely to Borrower or any Guarantor or Indemnitor, could reasonably result in a Material Adverse Effect.

5.6 STATUS OF PROPERTY. (a) No portion of the Improvements is located in an area identified by the Secretary of Housing and Urban Development or any successor thereto as an area having special flood hazards pursuant to the National Flood Insurance Act of 1968 or the Flood Disaster Protection Act of 1973, as amended, or any successor law, or, if located within any such area, Borrower has obtained and will maintain the insurance prescribed in Section 3.2 hereof; (b) Borrower has obtained all necessary certificates, licenses and other approvals, governmental and otherwise, necessary for the operation of the Property and the conduct of its business and all required zoning, building code, land use, environmental and other similar permits or approvals, all of which are in full force and effect as of the date hereof and not subject to revocation, suspension, forfeiture or modification; (c) the Property and the present and contemplated use and occupancy thereof are in material compliance with all Applicable Laws, including, without limitation, zoning ordinances, building codes, land use and environmental laws, laws relating to the disabled (including, but not limited to, the ADA) and other similar laws; (d) the Property is served by all utilities (including, but not limited to, public water and sewer systems) required for the current or contemplated use thereof; (e) all utility service is provided by public utilities and the Property has accepted or is equipped to accept such utility service; (f) all public roads and streets necessary for service of and access to the Property for the current or contemplated use thereof have been completed, are serviceable and all-weather and are physically and legally open for use by the public; (g) except as otherwise indicated in the property condition report obtained by Lender, the Property is, to the best of Borrower's knowledge, free from damage caused by fire or other casualty; (h) all costs and expenses of any and all labor, materials, supplies and equipment used in the construction of the Improvements have been paid in full; (i) all liquid and solid waste disposal, septic and sewer systems located on the Property are in a good and safe condition and repair and in material compliance with all Applicable Laws; and (j) except as otherwise shown by the survey delivered to Lender in connection with the origination of the Loan, all Improvements lie within the boundary of the Land.

5.7 NO FOREIGN PERSON. Borrower is not a "foreign person" within the meaning of Section 1445(f)(3) of the Internal Revenue Code of 1986, as amended and the related Treasury Department regulations, including temporary regulations.

5.8 SEPARATE TAX LOT. The Property is assessed for real estate tax purposes as one or more wholly independent tax lot or lots, separate from any adjoining land or improvements not constituting a part of such lot or lots, and no other land or improvements are assessed and taxed together with the Property or any portion thereof.

5.9 ERISA COMPLIANCE. As of the date hereof and throughout the term of this Security Instrument, (i) Borrower is not and will not be an "employee benefit plan" as defined in Section 3(3) of ERISA, which is subject to Title I of ERISA; (ii) the assets of Borrower do not and will not constitute "plan assets" of one or more such plans for purposes of Title I of ERISA; (iii) Borrower is not and will not be a "governmental plan" within the meaning of Section 3(32) of ERISA; and (iv) transactions by or with Borrower are not and will not be subject to state statutes applicable to Borrower regulating investments of and fiduciary obligations with respect to

governmental plans. Borrower shall deliver to Lender such certifications or other evidence as requested by Lender from time to time of Borrower's compliance with the foregoing representations and covenants.

5.10 LEASES. (a) Borrower is the sole owner of the entire lessor's interest in the Leases; (b) the Leases are valid and enforceable; (c) the terms of all alterations, modifications and amendments to the Leases are reflected in the certified occupancy statement delivered to and approved by Lender; (d) none of the Rents reserved in the Leases have been assigned or otherwise pledged or hypothecated; (e) none of the Rents have been collected for more than one (1) month in advance; (f) the premises demised under the Leases have been completed and the tenants under the Leases have accepted the same and have taken possession of the same on a rent-paying basis; (g) there exist no offsets or defenses to the payment of any portion of the Rents; (h) no Lease contains an option to purchase, right of first refusal to purchase, or any other similar provision; and (i) no person or entity has any possessory interest in, or right to occupy, the Property except under and pursuant to a Lease.

5.11 FINANCIAL CONDITION. (a) Borrower is solvent, and no bankruptcy, reorganization, insolvency or similar proceeding under any state or federal law with respect to Borrower has been initiated, and (b) it has received reasonably equivalent value for the granting of this Security Instrument.

5.12 BUSINESS PURPOSES. The Loan is solely for the business purpose of Borrower, and is not for personal, family, household, or agricultural purposes.

5.13 TAXES. Borrower has filed all federal, state, county, municipal, and city income and other tax returns required to have been filed by them and have paid all taxes and related liabilities which have become due pursuant to such returns or pursuant to any assessments received by them. Borrower knows of no basis for any additional assessment in respect of any such taxes and related liabilities for prior years.

5.14 MAILING ADDRESS. Borrower's mailing address, as set forth in the opening paragraph hereof or as changed in accordance with the provisions hereof, is true and correct.

5.15 NO CHANGE IN FACTS OR CIRCUMSTANCES. All information submitted in connection with Borrower's application for the loan and Lender's issuance of a commitment for the Loan (collectively, the "Loan Application") and the satisfaction of the conditions thereof, including, but not limited to, all financial statements, rent rolls, reports, certificates and other documents, are accurate, complete and correct in all material respects. There has been no adverse change in any condition, fact, circumstance or event that makes any such information inaccurate, incomplete or otherwise misleading.

5.16 DISCLOSURE. To Borrower's best knowledge, Borrower has disclosed to Lender all material facts and has not failed to disclose any material fact that is likely to cause any representation or warranty made herein to be materially misleading.

5.17 THIRD PARTY REPRESENTATIONS. Each of the representations and the warranties made by each Guarantor and Indemnitee herein or in any other Loan Document(s) is true and correct in all material respects.

5.18 ILLEGAL ACTIVITY. No portion of the Property has been or will be purchased with proceeds of any illegal activity.

5.19 OFAC. Borrower represents and warrants that neither Borrower or any of its respective Affiliates is a Prohibited Person and Borrower and all of its respective Affiliates are in full compliance with all applicable orders, rules, regulations and recommendations of The Office of Foreign Assets Control of the U.S. Department of the Treasury.

Borrower acknowledges that in accepting the Note, this Security Instrument and the other Loan Documents, Lender is expressly and primarily relying on the truth and accuracy of the warranties and representations set forth above notwithstanding any investigation of the Property by Lender; that such reliance existed on the part of Lender prior to the date hereof; that the warranties and representations are a material inducement to Lender in making the Loan and that Lender would not make the Loan in the absence of such warranties.

6.1 RELATIONSHIP OF BORROWER AND LENDER. The relationship between Borrower and Lender is solely that of debtor and creditor, and Lender has no fiduciary or other special relationship with Borrower and no term or condition of any of the Note, this Security Instrument and the other Loan Documents shall be construed so as to deem the relationship between Borrower and Lender to be other than that of debtor and creditor. Borrower is not relying on Lender's expertise business acumen or advice in connection with the Property.

6.2 NO LENDER OBLIGATIONS. (a) Notwithstanding the provisions of Subsections 1.1(f) and (l) or Section 1.2, Lender is not undertaking the performance of (i) any obligations under the Leases; or (ii) any obligations with respect to such agreements, contracts, certificates, instruments, franchises, permits, trademarks, licenses and other documents.

(b) By accepting or approving anything required to be observed, performed or fulfilled or to be given to Lender pursuant to this Security Instrument, the Note or the other Loan Documents, Lender shall not be deemed to have warranted, consented to, or affirmed the sufficiency, the legality or effectiveness of same, and such acceptance or approval thereof shall not constitute any warranty or affirmation with respect thereto by Lender.

7 - FURTHER ASSURANCES

7.1 RECORDING OF SECURITY INSTRUMENT, ETC. Borrower forthwith upon the execution and delivery of this Security Instrument and thereafter, from time to time, will cause this Security Instrument and any of the other Loan Documents creating a lien or security interest or evidencing the lien hereof upon the Property to be filed, registered or recorded in such manner and in such places as may be required by any present or future law in order to publish notice of and fully to protect and perfect the lien or security interest hereof upon, and the interest of Lender in, the Property. Except where prohibited by law, Borrower will pay all taxes, duties, imposts, assessments, filing, registration and recording fees, and any and all expenses incident to the preparation, execution, acknowledgment and/or recording of the Loan Documents and any amendment or supplement thereto.

7.2 FURTHER ACTS, ETC. Borrower will, at the cost of Borrower, and without expense to Lender, do, execute, acknowledge and deliver all and every such further acts, deeds, conveyances, mortgages, assignments, notices of assignments, transfers, deeds to secure debt and assurances as Lender shall, from time to time, reasonably require, for the better assuring, conveying, assigning, transferring, and confirming unto Lender the property and rights hereby mortgaged, granted, bargained, sold, conveyed, confirmed, pledged, assigned, warranted and transferred or intended now or hereafter so to be, or which Borrower may be or may hereafter become bound to convey or assign to Lender, or for carrying out the intention or facilitating the performance of the terms of this Security Instrument or for filing, registering or recording this Security Instrument, or for complying in all material respects with all Applicable Laws. Borrower, on demand, will execute and deliver and hereby authorizes Lender to execute in the name of Borrower or without the signature of Borrower to the extent Lender may lawfully do so, and to file in the appropriate filing or recording offices, one or more financing statements, chattel mortgages or other instruments, to evidence more effectively the security interest of Lender in the Property. Borrower grants to Lender an irrevocable power of attorney coupled with an interest for the purpose of exercising and perfecting any and all rights and remedies available to Lender at law and in equity, including without limitation such rights and remedies available to Lender pursuant to this Section 7.2.

7.3 CHANGES IN TAX, DEBT, CREDIT AND DOCUMENTARY STAMP LAWS. (a) If any law is enacted or adopted or amended after the date of this Security Instrument which deducts the Debt from the value of the Property for the purpose of taxation or which imposes a tax, either directly or indirectly, on the Debt or Lender's interest in the Property, Borrower will pay the tax, with interest and penalties thereon, if any. If Lender is advised by counsel chosen by it that the payment of tax by Borrower would be unlawful or taxable to Lender or unenforceable or provide the basis for a defense of usury, then Lender shall have the option by written notice of not less than ninety (90) days to declare the Debt immediately due and payable.

(b) Borrower will not claim or demand or be entitled to any credit or credits against the Debt for any part of the Taxes or Other Charges assessed against the Property, or any part thereof, and no deduction shall otherwise be made or claimed from the assessed value of the Property, or any part thereof, for real estate tax purposes by reason of this Security Instrument or the Debt. If such claim, credit or deduction shall be required by law, Lender shall have the option, by written notice of not less than ninety (90) days, to declare the Debt immediately due and payable.

(c) If at any time the United States of America, any State thereof or any subdivision of any such State shall require revenue or other stamps to be affixed to the Note, this Security Instrument, or any of the other Loan Documents or impose any other tax or charge on the same, Borrower will pay for the same, with interest and penalties thereon, if any.

7.4 **ESTOPPEL CERTIFICATES.** (a) After written request by Lender, Borrower, within ten (10) days, shall furnish Lender or any proposed assignee an estoppel certificate in form and content as may be reasonably requested by Lender with respect to the status of the Loan and/or the Loan Documents.

(b) Borrower shall use commercially reasonable efforts to deliver to Lender, promptly upon request, duly executed estoppel certificates from any one or more commercial lessees as required by Lender attesting to such facts regarding the Lease as Lender may reasonably require, provided that (i) Borrower shall not be required to honor more than two requests made by Lender in any twelve month period and (ii) in no event shall Borrower be required to obtain estoppel certificates from lessees containing more information than that required to be certified pursuant to the terms of the related Lease.

7.5 **REPLACEMENT DOCUMENTS.** Upon receipt of an affidavit of an officer of Lender as to the loss, theft, destruction or mutilation of the Note or any other Loan Document which is not of public record, and, in the case of any such mutilation, upon surrender and cancellation of such Note or other Loan Document, Borrower will issue, in lieu thereof, a replacement Note or other Loan Document, dated the date of such lost, stolen, destroyed or mutilated Note or other Loan Document in the same principal amount thereof and otherwise of like tenor.

8 - DUE ON SALE/ENCUMBRANCE

8.1 **LENDER RELIANCE.** Borrower acknowledges that Lender has examined and relied on the experience of Borrower and its general partners, managing members, principals and (if Borrower is a trust) beneficial owners in owning and operating properties such as the Property in agreeing to make the Loan, and will continue to rely on Borrower's ownership of the Property as a means of maintaining the value of the Property as security for payment and performance of the Obligations. Borrower acknowledges that Lender has a valid interest in maintaining the value of the Property so as to ensure that, should Borrower default in the payment or the performance of the Obligations, Lender can recover the Debt by a sale of the Property.

8.2 **NO SALE/ENCUMBRANCE.** Except as otherwise expressly permitted in this Article 8, Borrower shall not sell, convey, mortgage, grant, bargain, encumber, pledge, assign, grant options with respect to, or otherwise transfer or dispose of (directly or indirectly, voluntarily or involuntarily, by operation of law or otherwise, and whether or not for consideration or of record) the Property or any part thereof or any legal or beneficial interest therein or permit any voluntary or involuntary sale or pledge of any interest in any Restricted Party (collectively, a "Transfer"), other than pursuant to Leases of space in the Improvements to tenants in accordance with the provisions of Section 3.6 hereof, without (i) the prior written consent of Lender and (ii) if a transfer of the Loan in connection with a Securitization (as hereinafter defined) has occurred, delivery to Lender of written confirmation from the Rating Agencies that the Transfer will not result in the downgrade, withdrawal or qualification of the then current ratings assigned to any Securities or the proposed rating of any Securities. For purposes hereof, the term "Restricted Party" shall mean Borrower, any Guarantor or Indemnitor, or any shareholder, partner, member or non member manager, or any direct or indirect legal or beneficial owner of, Borrower, or any shareholder, partner, member or non member manager of any of the foregoing.

8.3 **SALE/ENCUMBRANCE DEFINED.**

(a) A Transfer shall include, but not be limited to: (i) an installment sales agreement wherein Borrower agrees to sell the Property or any part thereof for a price to be paid in installments; (ii) an agreement by Borrower leasing all or a substantial part of the Property for other than actual occupancy by a space tenant thereunder or a sale, assignment or other transfer of, or the grant of a security interest in, Borrower's right, title and interest in and to any Leases or any Rents; (iii) if a Restricted Party is a corporation, any merger or consolidation or Transfer of such corporation's stock or the creation or issuance of new stock; (iv) if a Restricted Party is a limited or general partnership or joint venture, any merger or consolidation or the change, removal, resignation or addition of a general partner or the Transfer of the partnership interest of any general partner or any profits or proceeds relating to such partnership interest, or the Transfer of limited partnership interests or any profits or proceeds relating to such limited partnership interests or the creation or issuance of new limited partnership interests; (v) if a Restricted Party is a limited liability company, any merger or consolidation or the change, removal, resignation or addition of a managing member or non member manager (or if no managing member, any member) or the Transfer of the membership interest of a managing member (or if no managing member, any member) or any profits or proceeds relating to such membership interest, or the Transfer of non managing membership interests or the creation or issuance of new non managing membership interests; (vi) if a Restricted Party is a trust or nominee trust, any merger or consolidation or the Transfer of the legal or beneficial interest in a Restricted Party or the creation or issuance of new legal or beneficial interests; or (vii) without limitation to the foregoing, any voluntary or involuntary sale, transfer, conveyance or pledge by any person or entity which directly or indirectly controls Borrower (by operation of law or otherwise) of its direct or indirect controlling interest in Borrower. Notwithstanding the foregoing, the following transfers shall not be deemed to be a Transfer requiring Lender's approval or payment of a transfer fee: (A) transfer by devise or descent or by operation of law upon the death of a partner, member or stockholder of any Restricted Party, (B) a sale, transfer or hypothecation of a partnership, shareholder or membership interest in any Restricted Party, whichever the case may be, by the current partner(s), shareholder(s) or member(s), as applicable, to an immediate family member (i.e., parents, spouses, siblings, children or grandchildren) of such partner, shareholder or member (or a trust for the benefit of any such persons); (C) the sale or pledge, in one or a series of transactions, of not more than forty nine percent (49%) of the stock in a Restricted Party; provided, however, no such transfers shall result in the change of voting control in the Restricted Party, and as a condition to each such transfer, Lender shall receive not less than thirty (30) days prior written notice of such proposed transfer; (D) the sale or pledge, in one or a series of transactions, of not more than forty nine percent (49%) of the limited partnership interests or non managing membership interests (as the case may be) in a Restricted Party, provided, however, as a condition of such transfer Lender shall receive not less than thirty (30) days prior written notice of such proposed transfer. Notwithstanding anything to the contrary contained in this Section 8.3, (1) a transfer of the ownership interests in Borrower, SCOLP, or Sponsor shall not (by attribution or otherwise) constitute a prohibited Transfer, provided that Sponsor maintains at least a 51% ultimate beneficial ownership interest in Borrower and no transfer of an interest in Borrower or SCOLP is made to a Prohibited Person, and (2) a conveyance or assignment of up to the entire equity ownership interest in Sponsor shall not be deemed to be (by attribution or otherwise) a prohibited Transfer.

(b) Notwithstanding anything to the contrary contained in this Article 8, and in addition to the transfers permitted hereunder, following the first anniversary of the date hereof, Lender's consent to a sale, assignment, or other transfer of the Property shall not be withheld provided that Lender receives thirty (30) days prior written notice of such transfer hereunder and no Event of Default has occurred and is continuing, and further provided that, the following additional requirements are satisfied:

(i) Borrower shall pay Lender a transfer fee equal to 0.5% of the outstanding principal balance of the Loan at the time of such transfer;

(ii) Borrower shall pay any and all out-of-pocket costs incurred in connection with the transfer of the Property (including, without limitation, Lender's counsel fees and disbursements and all recording fees, title insurance premiums and mortgage and intangible taxes and the fees and expenses of the Rating Agencies pursuant to clause (x) below);

(iii) The proposed transferee (the "Transferee") or Transferee's Principals (hereinafter defined) must have demonstrated expertise in owning and operating properties similar in location, size and operation to the Property, which expertise shall be reasonably determined by Lender. The term "Transferee's Principals" shall include Transferee's (A) managing members, general partners or principal

shareholders and (B) such other members, partners or shareholders which directly or indirectly shall own a 15% or greater interest in Transferee;

(iv) Transferee and Transferee's Principals shall, as of the date of such transfer, have an aggregate net worth and liquidity reasonably acceptable to Lender;

(v) Transferee, Transferee's Principals and all other entities which may be owned or controlled directly or indirectly by Transferee's Principals ("Related Entities") must not have been a party to any bankruptcy proceedings, voluntary or involuntary, made an assignment for the benefit of creditors or taken advantage of any insolvency act, or any act for the benefit of debtors within seven (7) years prior to the date of the proposed transfer of the Property;

(vi) Transferee shall assume all of the obligations of Borrower under the Loan Documents in a manner satisfactory to Lender in all respects, including, without limitation, by entering into an assumption agreement in form and substance satisfactory to Lender and one or more Transferee's Principals having an aggregated net worth and liquidity reasonably acceptable to Lender shall execute in favor of Lender a Guaranty of Recourse Obligations and Environmental Indemnity Agreement in form acceptable to Lender;

(vii) There shall be no material litigation or regulatory action pending or threatened against Transferee, Transferee's Principals or Related Entities which is not reasonably acceptable to Lender;

(viii) Transferee, Transferee's Principals and Related Entities shall not have defaulted under its or their obligations with respect to any other indebtedness in a manner which is not reasonably acceptable to Lender;

(ix) Transferee and Transferee's Principals must be able to satisfy all the covenants set forth in Sections 4.2 and 5.9 hereof, no Event of Default or event which, with the giving of notice, passage of time or both, shall constitute an Event of Default, shall otherwise occur as a result of such transfer, and Transferee and Transferee's Principals shall deliver (A) all organization documentation reasonably requested by Lender, which shall be reasonably satisfactory to Lender, and (B) all certificates, agreements and covenants reasonably required by Lender;

(x) The Rating Agencies selected by Lender shall confirm in a manner acceptable to Lender that such transfer shall not result in the downgrade, qualification or withdrawal of any ratings then assigned by such Rating Agencies to any class of Securities; and

(xi) Borrower shall deliver, at its sole cost and expense, an endorsement to the existing title policy insuring the Security Instrument, as modified by the assumption agreement, as a valid first lien on the Property and naming the Transferee as owner of the Property, which endorsement shall insure that, as of the date of the recording of the assumption agreement, the Property shall not be subject to any additional exceptions or liens other than those contained in the title policy issued on the date hereof.

(c) Immediately upon a transfer of the Property to such Transferee and the satisfaction of all of the above requirements, the named Borrower herein and any affiliated Guarantor or Indemnitor shall be released from all liability under this Security Instrument, the Note and the other Loan Documents accruing after such transfer. The foregoing release shall be effective upon the date of such transfer, but Lender agrees to provide written evidence thereof reasonably requested by Borrower.

8.4 LENDER'S RIGHTS. Except as otherwise expressly provided in Section 8.3(b) hereinabove, Lender reserves the right to condition the consent required hereunder upon a modification of the terms hereof and on assumption of the Note, this Security Instrument and the other Loan Documents as so modified by the proposed transferee, payment of a transfer fee of one percent (1%) of the principal balance of the Note and all of Lender's expenses incurred in connection with such transfer, the approval by Lender of the proposed transferee, the proposed transferee's continued compliance with the representations, warranties and covenants set forth in Sections 4.2 and 5.9 hereof, or such other conditions as Lender shall determine in its sole

discretion to be in the interest of Lender. Lender shall not be required to demonstrate any actual impairment of its security or any increased risk of default hereunder in order to declare the Debt immediately due and payable upon Borrower's sale, conveyance, mortgage, grant, bargain, encumbrance, pledge, assignment, or transfer of the Property without Lender's consent. This provision shall apply to every sale, conveyance, mortgage, grant, bargain, encumbrance, pledge, assignment, or transfer of the Property regardless of whether voluntary or not, or whether or not Lender has consented to any previous sale, conveyance, mortgage, grant, bargain, encumbrance, pledge, assignment, or transfer of the Property.

9 - DEFAULT

9.1 **EVENTS OF DEFAULT.** The occurrence of any one or more of the following events shall constitute an "Event of Default": (a) if any portion of the Debt is not paid on the date the same is due or if the entire Debt is not paid on or before the Maturity Date; (b) if any of the Taxes or Other Charges is not paid prior to the date the same becomes delinquent except to the extent sums sufficient to pay such Taxes and Other Charges have been deposited with Lender in accordance with the terms of this Security Instrument; (c) if the Policies are not kept in full force and effect, or if the Policies are not delivered to Lender upon request or Borrower has not delivered evidence of the renewal of the Policies thirty (30) days prior to their expiration as provided in Section 3.2(e); (d) if Borrower violates in any material respect any of the provisions of Sections 3.6 or 4.2 or Articles 8 or 11; (e) if any representation or warranty of Borrower or any Indemnitor or Guarantor, or any general partner or managing member of any of the foregoing made in the Loan Documents or any other certificate, report or financial statement delivered to Lender by Borrower or on behalf of Borrower in connection with the Loan shall have been false or misleading in any material respect when made; (f) if (i) Borrower or any general partner or managing member of Borrower shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, adjustment, liquidation, dissolution or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets, or Borrower or any general partner or managing member of Borrower shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against Borrower or any general partner or managing member of Borrower any case, proceeding or other action of a nature referred to in clause (i) above which (A) results in the entry of an order for relief or any such adjudication or appointment or (B) remains undismissed or undischarged for a period of sixty (60) days; or (iii) there shall be commenced against Borrower or any general partner or managing member of Borrower any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets which results in the entry of any order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within sixty (60) days from the entry thereof; or (iv) Borrower or any general partner or managing member of Borrower shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii), or (iii) above; or (v) Borrower or any general partner or managing member of Borrower shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due; (g) if Borrower shall be in default beyond any applicable notice or cure period under any other mortgage, deed of trust, deed to secure debt or other security agreement covering any part of the Property whether it be superior or junior in lien to this Security Instrument; (h) if the Property becomes subject to any mechanic's, materialman's or other lien other than a lien for local real estate taxes and assessments not then delinquent and the lien shall remain undischarged of record (by payment, bonding or otherwise) for a period of thirty (30) days after Borrower has first received notice thereof; (i) if any federal tax lien is filed against the Property and same is not discharged of record (by payment, bonding or otherwise) within thirty (30) days after Borrower has first received notice thereof; (j) if within ten (10) days of Lender's demand therefor Borrower fails to provide Lender with the written certification and evidence referred to in Section 5.9 hereof or Borrower fails to comply with its obligations under Section 16.1; (k) if Borrower or any other Indemnitor shall fail to perform any of its obligations under that certain environmental indemnity agreement of even date herewith (the "Environmental Indemnity") after the expiration of applicable notice and grace periods, if any; (l) if any default beyond any applicable notice or cure period occurs under any guaranty or indemnity executed in connection herewith and such default continues after the expiration of applicable grace periods, if any; or (m) if for more than ten (10) days after notice from Lender, Borrower shall continue to be in default under any other term, covenant or condition of the Note, this Security Instrument or the other Loan Documents in the case of any default which can be cured by the payment of a sum of money or for thirty (30) days after notice from Lender in the case of any

other default, provided that if such default cannot reasonably be cured within such thirty (30) day period and Borrower shall have commenced to cure such default within such thirty (30) day period and thereafter diligently and expeditiously proceeds to cure the same, such thirty (30) day period shall be extended for so long as it shall require Borrower in the exercise of due diligence to cure such default.

10 - RIGHTS AND REMEDIES

10.1 **REMEDIES.** Upon the occurrence of any Event of Default, Borrower agrees that Lender may take such action, without notice or demand, as it deems advisable to protect and enforce its rights against Borrower and in and to the Property, including, but not limited to, the following actions, each of which may be pursued concurrently or otherwise, at such time and in such order as Lender may determine, in its sole discretion, without impairing or otherwise affecting the other rights and remedies of Lender: (a) declare the entire unpaid Debt to be immediately due and payable; (b) with or without entry, institute proceedings, judicial or otherwise, for the complete or partial foreclosure of this Security Instrument under any applicable provision of law in which case the Property or any interest therein may be sold for cash or upon credit in one or more parcels or in several interests or portions and in any order or manner, any partial foreclosure to be subject to the continuing lien and security interest of this Security Instrument for the balance of the Debt not then due, unimpaired and without loss of priority; (c) sell for cash or upon credit the Property or any part thereof and all estate, claim, demand, right, title and interest of Borrower therein and rights of redemption thereof, pursuant to power of sale, judicial decree or otherwise, at one or more sales, as an entirety or in one or more parcels; (d) institute an action, suit or proceeding in equity for the specific performance of any covenant, condition or agreement contained herein, in the Note or in the other Loan Documents; (e) recover judgment on the Note either before, during or after any proceedings for the enforcement of this Security Instrument or the other Loan Documents; (f) apply for the appointment of a receiver, trustee, liquidator or conservator of the Property, without notice and without regard for the adequacy of the security for the Debt and without regard for the solvency of Borrower, any Guarantor, Indemnitor or of any person, firm or other entity liable for the payment of the Debt; (g) enter into or upon the Property, either personally or by its agents, nominees or attorneys and dispossess Borrower and its agents and servants therefrom, without liability for trespass, damages or otherwise and exclude Borrower and its agents or servants wholly therefrom, and take possession of all books, records and accounts relating thereto and Borrower agrees to surrender possession of the Property and of such books, records and accounts to Lender upon demand, and thereupon Lender may exercise all rights and powers of Borrower with respect to the Property including, without limitation, (1) the right to use, operate, manage, control, insure, maintain, repair, restore and otherwise deal with all and every part of the Property and conduct the business thereat; (2) the right to make or complete any construction, alterations, additions, renewals, replacements and improvements to or on the Property as Lender deems advisable; (3) the right to make, cancel, enforce or modify Leases, obtain and evict tenants, and demand, sue for, collect and receive all Rents of the Property and every part thereof; (h) require Borrower to pay monthly in advance to Lender, or any receiver appointed to collect the Rents, the fair and reasonable rental value for the use and occupation of such part of the Property as may be occupied by Borrower; (i) require Borrower to vacate and surrender possession of the Property to Lender or to such receiver and, in default thereof, Borrower may be evicted by summary proceedings or otherwise; (j) apply the receipts from the Property, any Deposits and interest thereon and/or any unearned Insurance Premiums paid to Lender upon the surrender of any Policies maintained pursuant to Article 3 hereof (it being agreed that Lender shall have the right to surrender such Policies upon the occurrence of an Event of Default), to the payment of the Obligations, in such order, priority and proportions as Lender shall deem appropriate in its sole discretion; or (k) exercise any and all rights and remedies granted to a secured party upon default under the Uniform Commercial Code, including, without limiting the generality of the foregoing: (1) the right to take possession of the Personal Property or any part thereof, and to take such other measures as Lender may deem necessary for the care, protection and preservation of the Personal Property, and (2) request Borrower at its expense to assemble the Personal Property and make it available to Lender at a convenient place acceptable to Lender. Any notice of sale, disposition or other intended action by Lender with respect to the Personal Property sent to Borrower in accordance with the provisions hereof at least five (5) days prior to such action, shall constitute commercially reasonable notice to Borrower. Upon any foreclosure or other sale of the Property pursuant to the terms hereof, Lender may bid for and purchase the Property and shall be entitled to apply all or any part of the secured indebtedness as a credit against the purchase price.

In the event of a sale, by foreclosure, power of sale, or otherwise, of less than all of the Property, this Security Instrument shall continue as a lien and security interest on the remaining portion of the Property

unimpaired and without loss of priority. Notwithstanding the provisions of this Section 10.1 to the contrary, if any Event of Default as described in clause (i) or (ii) of Subsection 9.1(f) shall occur, the entire unpaid Debt shall be automatically due and payable, without any further notice, demand or other action by Lender.

10.2 APPLICATION OF PROCEEDS. The purchase money, proceeds and avails of any disposition of the Property, or any part thereof, or any other sums collected by Lender pursuant to the Note, this Security Instrument or the other Loan Documents, may be applied by Lender to the payment of the Debt in such priority and proportions as Lender in its discretion shall deem proper, with the remainder, if any, to be disbursed to Borrower or to the person or persons legally entitled thereto in accordance with the requirements of Applicable Law.

10.3 RIGHT TO CURE DEFAULTS. Upon the occurrence of any Event of Default, Lender may, but without any obligation to do so and without notice to or demand on Borrower and without releasing Borrower from any obligation hereunder or curing or being deemed to have cured any default hereunder, make or do the same in such manner and to such extent as Lender may deem necessary to protect the security hereof. Lender is authorized to enter upon the Property for such purposes, or appear in, defend, or bring any action or proceeding to protect its interest in the Property or to foreclose this Security Instrument or collect the Debt, and the cost and expense thereof (including reasonable attorneys' fees to the extent permitted by law), with interest as provided in this Section 10.3, shall constitute a portion of the Debt and shall be due and payable to Lender upon demand. All such costs and expenses incurred by Lender in remedying such Event of Default or such failed payment or act or in appearing in, defending, or bringing any such action or proceeding shall bear interest at the Default Rate (as defined in the Note), for the period after notice from Lender that such cost or expense was incurred to the date of payment to Lender. All such costs and expenses incurred by Lender together with interest thereon calculated at the Default Rate shall be deemed to constitute a portion of the Debt and be secured by this Security Instrument and the other Loan Documents and shall be immediately due and payable upon demand by Lender therefor.

10.4 ACTIONS AND PROCEEDINGS. Lender has the right to appear in and defend any action or proceeding brought with respect to the Property and to bring any action or proceeding, in the name and on behalf of Borrower, which Lender, in its discretion, decides should be brought to protect its interest in the Property.

10.5 RECOVERY OF SUMS REQUIRED TO BE PAID. Lender shall have the right from time to time to take action to recover any sum or sums which constitute a part of the Debt as the same become due, without regard to whether or not the balance of the Debt shall be due, and without prejudice to the right of Lender thereafter to bring an action of foreclosure, or any other action, for a default or defaults by Borrower existing at the time such earlier action was commenced.

10.6 EXAMINATION OF BOOKS AND RECORDS. Lender, its agents, accountants and attorneys shall have the right to examine the records, books, management and other papers of Borrower which reflect upon its financial condition, at the Property or at any other office where the books and records are located. Lender and its agents shall have the right to make copies and extracts from the foregoing records and other papers. In addition, Lender, its agents, accountants and attorneys shall have the right to examine and audit the books and records of Borrower pertaining to the income, expenses and operation of the Property during reasonable business hours at any office of Borrower where the books and records are located. This Section 10.6 shall apply throughout the term of the Note and without regard to whether an Event of Default has occurred or is continuing. Lender shall bear the cost of any examination, audit or copying under this Section 10.6 unless such actions are taken in connection with an Event of Default.

10.7 OTHER RIGHTS, ETC. (a) The failure of Lender to insist upon strict performance of any term hereof shall not be deemed to be a waiver of any term of this Security Instrument. Borrower shall not be relieved of Borrower's obligations hereunder by reason of (i) the failure of Lender to comply with any request of Borrower, any Guarantor or any Indemnitor to take any action to foreclose this Security Instrument or otherwise enforce any of the provisions hereof or of the Note or the other Loan Documents, (ii) the release, regardless of consideration, of the whole or any part of the Property, or of any person liable for the Debt or any portion thereof,

or (iii) any agreement or stipulation by Lender extending the time of payment or otherwise modifying or supplementing the terms of the Note, this Security Instrument or the other Loan Documents.

(b) It is agreed that the risk of loss or damage to the Property is on Borrower, and Lender shall have no liability whatsoever for decline in value of the Property, for failure to maintain the Policies, or for failure to determine whether insurance in force is adequate as to the amount of risks insured. Possession by Lender shall not be deemed an election of judicial relief, if any such possession is requested or obtained, with respect to any Property or collateral not in Lender's possession.

(c) Lender may resort for the payment of the Debt to any other security held by Lender in such order and manner as Lender, in its discretion, may elect. Lender may take action to recover the Debt, or any portion thereof, or to enforce any covenant hereof without prejudice to the right of Lender thereafter to foreclose this Security Instrument. The rights of Lender under this Security Instrument shall be separate, distinct and cumulative and none shall be given effect to the exclusion of the others. No act of Lender shall be construed as an election to proceed under any one provision herein to the exclusion of any other provision. Lender shall not be limited exclusively to the rights and remedies herein stated but shall be entitled to every right and remedy now or hereafter afforded at law or in equity.

10.8 RIGHT TO RELEASE ANY PORTION OF THE PROPERTY. Lender may release any portion of the Property for such consideration as Lender may require without, as to the remainder of the Property, in any way impairing or affecting the lien or priority of this Security Instrument, or improving the position of any subordinate lienholder with respect thereto, except to the extent that the obligations hereunder shall have been reduced by the actual monetary consideration, if any, received by Lender for such release, and may accept by assignment, pledge or otherwise any other property in place thereof as Lender may require without being accountable for so doing to any other lienholder. This Security Instrument shall continue as a lien and security interest in the remaining portion of the Property.

10.9 INTENTIONALLY DELETED.

10.10 RECOURSE AND CHOICE OF REMEDIES. Notwithstanding any other provision of this Security Instrument, including but not limited to Article 13 hereof, Lender and other Indemnified Parties (defined in Section 11.1 below) are entitled to enforce the obligations of Borrower, Guarantor and Indemnitor contained in Sections 11.2 and 11.3 without first resorting to or exhausting any security or collateral and without first having recourse to the Note or any of the Property, through foreclosure or acceptance of a deed in lieu of foreclosure or otherwise, and in the event Lender commences a foreclosure action against the Property, Lender is entitled to pursue a deficiency judgment with respect to such obligations against Borrower, Guarantor and Indemnitor. The provisions of Sections 11.2 and 11.3 are exceptions to any non-recourse or exculpation provisions in the Note, this Security Instrument or the other Loan Documents, and Borrower, Guarantor and Indemnitor are fully and personally liable for the obligations pursuant to Sections 11.2 and 11.3. The liability of Borrower, Guarantor and Indemnitor for the obligations pursuant to Sections 11.2 and 11.3 are not limited to the original principal amount of the Note. Notwithstanding the foregoing, nothing herein shall inhibit or prevent Lender from foreclosing pursuant to this Security Instrument or exercising any other rights and remedies pursuant to the Note, this Security Instrument and the other Loan Documents, whether simultaneously with foreclosure proceedings or in any other sequence. A separate action or actions may be brought and prosecuted against Borrower, whether or not action is brought against any other person or entity or whether or not any other person or entity is joined in the action or actions.

10.11 RIGHT OF ENTRY. Lender and its agents shall have the right to enter and inspect the Property at all reasonable times.

10.12 DEFAULT INTEREST AND LATE CHARGES. Borrower acknowledges that, without limitation to any of Lender's rights or remedies set forth in this Security Instrument, Lender has the right following an Event of Default to demand interest on the principal amount of the Note at the Default Rate and late payment charges in accordance with the terms of the Note.

11.1 GENERAL INDEMNIFICATION. Borrower shall, at its sole cost and expense, protect, defend, indemnify, release and hold harmless the Indemnified Parties for, from and against any and all claims, suits, liabilities (including, without limitation, strict liabilities), actions, proceedings, obligations, debts, damages, losses, costs, expenses, diminutions in value, fines, penalties, charges, fees, expenses, judgments, awards, amounts paid in settlement, punitive damages, foreseeable and unforeseeable consequential damages, of whatever kind or nature (including but not limited to attorneys' fees and other costs of defense) (the "Losses") imposed upon or incurred by or asserted against any Indemnified Parties and directly or indirectly arising out of or in any way relating to any one or more of the following, except to the extent the following relate solely to an Indemnified Party's gross negligence or willful misconduct: (a) any Event of Default; (b) any and all lawful action that may be taken by Lender in connection with the enforcement of the provisions of this Security Instrument or the Note or any of the other Loan Documents, whether or not suit is filed in connection with same, or in connection with Borrower, any Guarantor or Indemnitor becoming a party to a voluntary or involuntary federal or state bankruptcy, insolvency or similar proceeding; (c) any accident, injury to or death of persons or loss of or damage to property occurring in, on or about the Property or any part thereof or on the adjoining sidewalks, curbs, adjacent property or adjacent parking areas, streets or ways; (d) any use, nonuse or condition in, on or about the Property or any part thereof; (e) any failure on the part of Borrower to perform or be in compliance with any of the terms of this Security Instrument; (f) the failure of any person to file timely with the Internal Revenue Service an accurate Form 1099-B, Statement for Recipients of Proceeds from Real Estate, Broker and Barter Exchange Transactions, which may be required in connection with the Security Instrument, or to supply a copy thereof in a timely fashion to the recipient of the proceeds of the transaction in connection with which this Security Instrument is made; (g) any failure of the Property to be in compliance with any Applicable Laws; (h) the enforcement by any Indemnified Party of the provisions of this Article 11; (i) the payment of any commission, charge or brokerage fee to anyone which may be payable by any party other than Lender in connection with the funding of the Loan; or (j) any misrepresentation made by Borrower in this Security Instrument or any other Loan Document. Any amounts payable to Lender by reason of the application of this Section 11.1 shall become immediately due and payable and shall bear interest at the Default Rate from the date loss or damage is sustained by Lender until paid. For purposes of this Article 11, the term "Indemnified Parties" means Lender and any person or entity who is or will have been involved in the origination of the Loan, any person or entity who is or will have been involved in the servicing of the Loan, any person or entity in whose name the encumbrance created by this Security Instrument is or will have been recorded and persons and entities who may hold or acquire or will have held a full or partial interest in the Loan, including, but not limited to, custodians, trustees and other fiduciaries who hold or have held a full or partial interest in the Loan.

11.2 MORTGAGE AND/OR INTANGIBLE TAX. Borrower shall, at its sole cost and expense, protect, defend, indemnify, release and hold harmless the Indemnified Parties from and against any and all Losses imposed upon or incurred by or asserted against any Indemnified Parties and directly or indirectly arising out of or in any way relating to any tax on the making and/or recording of this Security Instrument, the Note or any of the other Loan Documents.

11.3 ERISA INDEMNIFICATION. Borrower shall, at its sole cost and expense, protect, defend, indemnify, release and hold harmless the Indemnified Parties from and against any and all Losses (including, without limitation, attorneys' fees and costs incurred in the investigation, defense, and settlement of Losses incurred in correcting any prohibited transaction or in the sale of a prohibited loan, and in obtaining any individual prohibited transaction exemption under ERISA that may be required, in Lender's sole discretion) that Lender may incur, directly or indirectly, as a result of a default under Section 5.9.

11.4 DUTY TO DEFEND; ATTORNEYS' FEES AND OTHER FEES AND EXPENSES. Upon written request by any Indemnified Party, Borrower shall defend such Indemnified Party (if requested by any Indemnified Party, in the name of the Indemnified Party) by attorneys and other professionals approved by the Indemnified Parties. Notwithstanding the foregoing, any Indemnified Parties may, in their sole and absolute discretion, engage their own attorneys and other professionals to defend or assist them, and, at the option of Indemnified Parties, their attorneys shall control the resolution of claim or proceeding. Upon demand, Borrower shall pay or, in the sole and absolute discretion of the Indemnified Parties, reimburse, the Indemnified Parties for

12 - WAIVERS

12.1 **WAIVER OF COUNTERCLAIM.** Borrower hereby waives the right to assert a counterclaim, other than a mandatory or compulsory counterclaim, in any action or proceeding brought against it by Lender arising out of or in any way connected with this Security Instrument, the Note, any of the other Loan Documents, or the Obligations. Any assignee of Lender's interest in this Security Instrument and the other Loan Documents shall take the same free and clear of all offsets, counterclaims or defenses which are unrelated to such documents which Borrower may otherwise have against any assignor of such documents, and no such unrelated counterclaim or defense shall be interposed or asserted by Borrower in any action or proceeding brought by any such assignee upon such documents, and any such rights to interpose or assert any such unrelated offset, counterclaim or defense in any such action or proceeding is hereby expressly waived by Borrower.

12.2 **MARSHALLING AND OTHER MATTERS.** Borrower hereby waives, to the extent permitted by law, the benefit of all appraisal, valuation, stay, extension, reinstatement and redemption laws now or hereafter in force and all rights of marshalling in the event of any sale hereunder of the Property or any part thereof or any interest therein. Further, Borrower hereby expressly waives any and all rights of redemption from sale under any order or decree of foreclosure of this Security Instrument on behalf of Borrower, and on behalf of each and every person acquiring any interest in or title to the Property subsequent to the date of this Security Instrument and on behalf of all persons to the extent permitted by applicable law.

12.3 **WAIVER OF NOTICE.** Borrower shall not be entitled to any notices of any nature whatsoever from Lender except with respect to matters for which this Security Instrument specifically and expressly provides for the giving of notice by Lender to Borrower and except with respect to matters for which Lender is required by applicable law to give notice, and Borrower hereby expressly waives the right to receive any notice from Lender with respect to any matter for which this Security Instrument does not specifically and expressly provide for the giving of notice by Lender to Borrower.

12.4 **SOLE DISCRETION OF LENDER.** Wherever pursuant to this Security Instrument (a) Lender exercises any right given to it to approve or disapprove, (b) any arrangement or term is to be satisfactory to Lender, or (c) any other decision or determination is to be made by Lender, the decision of Lender to approve or disapprove, all decisions that arrangements or terms are satisfactory or not satisfactory and all other decisions and determinations made by Lender, shall be in the sole and absolute discretion of Lender and shall be final and conclusive, except as may be otherwise expressly and specifically provided herein.

12.5 **SURVIVAL.** The indemnifications made pursuant to Article 11 shall continue indefinitely in full force and effect and shall survive and shall in no way be impaired by: any satisfaction or other termination of this Security Instrument, any assignment or other transfer of all or any portion of this Security Instrument or Lender's interest in the Property (but, in such case, shall benefit both Indemnified Parties and any assignee or transferee), any exercise of Lender's rights and remedies pursuant hereto including but not limited to foreclosure or acceptance of a deed in lieu of foreclosure, any exercise of any rights and remedies pursuant to the Note or any of the other Loan Documents, any transfer of all or any portion of the Property (whether by Borrower or by Lender following foreclosure or acceptance of a deed in lieu of foreclosure or at any other time), any amendment to this Security Instrument, the Note or the other Loan Documents, and any act or omission that might otherwise be construed as a release or discharge of Borrower from the obligations pursuant hereto.

12.6 **WAIVER OF TRIAL BY JURY. BORROWER HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, THE RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER IN CONTRACT, TORT OR OTHERWISE, RELATING DIRECTLY OR INDIRECTLY TO THE LOAN, THE APPLICATION FOR THE LOAN, THE NOTE, THIS SECURITY INSTRUMENT OR THE OTHER LOAN DOCUMENTS OR ANY ACTS OR OMISSIONS OF LENDER, ITS OFFICERS, EMPLOYEES, DIRECTORS OR AGENTS IN CONNECTION THEREWITH.**

13.1 EXCULPATION. Except as otherwise provided in Section 13.1 below, in the Note or in the other Loan Documents, Lender shall not enforce the liability and obligation of Borrower to perform and observe the obligations contained in the Note or this Security Instrument by any action or proceeding wherein a money judgment shall be sought against Borrower (or against its general partners, without regard to the provisions of Section 13.1 below), except that Lender may sell the Property under any power of sale or right of non-judicial foreclosure or bring a foreclosure action, confirmation action, action for specific performance or other appropriate action or proceeding to enable Lender to enforce and realize upon the Note, this Security Instrument, the other Loan Documents, and the interest in the Property, the Rents and any other collateral given to Lender created by the Note, this Security Instrument and the other Loan Documents; provided, however, that any judgment in any such action or proceeding shall be enforceable against Borrower (but not the general partners of Borrower) only to the extent of Borrower's interest in the Property, in the Rents and in any other collateral given to Lender. Lender, by accepting the Note and this Security Instrument, agrees that it shall not, except as otherwise provided in Section 10.10, sue for, seek or demand any deficiency judgment against Borrower or its general partners in any such action or proceeding, under or by reason of or under or in connection with the Note, the other Loan Documents or this Security Instrument.

13.2 RESERVATION OF CERTAIN RIGHTS. The provisions of Section 13.1 shall not, however, (a) constitute a waiver, release or impairment of any obligation evidenced or secured by the Note, the other Loan Documents or this Security Instrument; (b) Intentionally Deleted; (c) impair the right of Lender to name Borrower as a party defendant in any action or suit for judicial foreclosure and sale under this Security Instrument; (d) affect the validity or enforceability of any indemnity, guaranty, master lease or similar instrument made in connection with the Note, this Security Instrument, or the other Loan Documents; (e) impair the right of Lender to obtain the appointment of a receiver; (f) impair the enforcement of the Assignment of Leases and Rents executed in connection herewith; (g) impair the right of Lender to obtain a deficiency judgment or judgment on the Note against Borrower if necessary to obtain any insurance proceeds or condemnation awards to which Lender would otherwise be entitled under this Security Instrument, provided, however, Lender shall only enforce such judgment against the insurance proceeds and/or condemnation awards; or (h) impair the right of Lender to enforce the provisions of Sections 10.10, 11.2 and 11.3 of this Security Instrument.

13.3 EXCEPTIONS TO EXCULPATION. Notwithstanding the provisions of this Article to the contrary, Borrower shall be personally liable to Lender for the Losses it incurs due to: (i) fraud or intentional, material misrepresentation by Borrower, SCOLP, or any of their agents, principals, officers or employees, (ii) Borrower's misapplication or misappropriation of insurance proceeds, condemnation awards, or tenant security deposits, if, and to the extent Borrower or its agents have the right and ability to control the disbursement of such proceeds, awards or deposit; (iii) Rents received by Borrower after the occurrence of an Event of Default, provided that such Rents (y) are not applied towards either the Monthly Payment or the ordinary and necessary operating expenses of the Property and Borrower has provided Lender with evidence of same in a form acceptable to Lender, or (z) are paid to Lender, (iv) so long as Borrower has possession and control of the Property, Borrower's failure to pay (except to the extent that sums sufficient to pay such amounts have been deposited in escrow with Lender pursuant to the terms of this Security Instrument) Taxes or other liens with priority over Lender's lien on the Property or other liens established under the Loan Documents, to the extent funds are available from the operation of the Property for such purpose, or from escrow deposits made to Lender for such purpose (regardless of whether Lender uses such funds to pay such Taxes or other liens), (v) damage to the Property arising from (y) the intentional misconduct or gross negligence of Borrower, SCOLP, or any of their principals, officers, agents or employees, or (z) any removal of the Property in violation of the Loan Documents, or (vi) Borrower's or any other Indemnitor's failure to comply with the provisions of the Environmental Indemnity.

13.4 RECOURSE. Notwithstanding the foregoing, the agreement of Lender not to pursue recourse liability as set forth in Section 13.1 above SHALL BECOME NULL AND VOID and shall be of no further force and effect (i) in the event of Borrower's default under Sections 4.2 or 8.2 of this Security Instrument, or (ii) if the Property or any part thereof shall become an asset in (1) a voluntary bankruptcy or insolvency proceeding, or (2) an involuntary bankruptcy or insolvency proceeding (A) which is commenced by any party controlling, controlled by or under common control with Borrower (which shall include, but not be limited to, any

creditor or claimant acting in concert with Borrower or any the foregoing parties) (the "Borrowing Group") or (B) in which any member of the Borrowing Group objects to a motion by Lender for relief from any stay or injunction from the foreclosure of this Security Instrument or any other remedial action permitted hereunder or under the Note or the other Loan Documents.

13.5 **BANKRUPTCY CLAIMS.** Nothing herein shall be deemed to be a waiver of any right which Lender may have under Sections 506(a), 506(b), 1111(b) or any other provisions of the Bankruptcy Code to file a claim for the full amount of the Debt or to require that all collateral shall continue to secure all of the Debt owing to Lender in accordance with the Note, this Security Instrument and the other Loan Documents.

14 - NOTICES

NOTICES. All notices or other written communications hereunder shall be deemed to have been properly given (i) upon delivery, if delivered in person, (ii) one (1) Business Day (defined below) after having been deposited for overnight delivery with any reputable overnight courier service, or (iii) three (3) Business Days after having been deposited in any post office or mail depository regularly maintained by the U.S. Postal Service and sent by registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

If to Borrower:	High Point Associates, L.P. 27777 Franklin Road, Suite 200 Southfield, Michigan 48034 Attention: Jonathan M. Colman
With a copy to:	Jaffe, Raitt, Heuer & Weiss, P.C. 27777 Franklin Road, Suite 2500 Southfield, Michigan 48034 Attention: Arthur A. Weiss
If to Lender:	Lehman Brothers Bank, FSB 399 Park Avenue, 8th Floor New York, New York 10022 Attention: John Herman
With a copy to:	Stroock & Stroock & Lavan LLP 180 Maiden Lane New York, New York 10038 Attention: William Campbell, Esq.

or addressed as such party may from time to time designate by written notice to the other parties.

Either party by notice to the other may designate additional or different addresses for subsequent notices or communications.

For purposes of this Subsection, "Business Day" shall mean a day on which commercial banks are not authorized or required by law to close in New York, New York.

15 - APPLICABLE LAW

15.1 **CHOICE OF LAW.** This Security Instrument shall be governed, construed, applied and enforced in accordance with the laws of the state in which the Property is located and the applicable laws of the United States of America.

15.2 USURY LAWS. This Security Instrument and the Note are subject to the express condition that at no time shall Borrower be obligated or required to pay interest on the Debt at a rate which could subject the holder of the Note to either civil or criminal liability as a result of being in excess of the maximum interest rate which Borrower is permitted by applicable law to contract or agree to pay. If by the terms of this Security Instrument or the Note, Borrower is at any time required or obligated to pay interest on the Debt at a rate in excess of such maximum rate, the rate of interest under the Security Instrument and the Note shall be deemed to be immediately reduced to such maximum rate and the interest payable shall be computed at such maximum rate and all prior interest payments in excess of such maximum rate shall be applied and shall be deemed to have been payments in reduction of the principal balance of the Note. All sums paid or agreed to be paid to Lender for the use, forbearance, or detention of the Debt shall, to the extent permitted by applicable law, be amortized, prorated, allocated, and spread throughout the full stated term of the Note until payment in full so that the rate or amount of interest on account of the Debt does not exceed the maximum lawful rate of interest from time to time in effect and applicable to the Debt for so long as the Debt is outstanding.

15.3 PROVISIONS SUBJECT TO APPLICABLE LAW. All rights, powers and remedies provided in this Security Instrument may be exercised only to the extent that the exercise thereof does not violate any applicable provisions of law and are intended to be limited to the extent necessary so that they will not render this Security Instrument invalid, unenforceable or not entitled to be recorded, registered or filed under the provisions of any applicable law. If any term of this Security Instrument or any application thereof shall be invalid or unenforceable, the remainder of this Security Instrument and any other application of the term shall not be affected thereby.

16 - SECONDARY MARKET

16.1 TRANSFER OF LOAN. Lender may, at any time, sell, transfer or assign the Note, this Security Instrument and the other Loan Documents, and any or all servicing rights with respect thereto, or grant participations therein or issue mortgage pass-through certificates or other securities (the "Securities") evidencing a beneficial interest in a rated or unrated public offering or private placement (such process, a "Securitization"). Lender may forward to each purchaser, transferee, assignee, servicer, participant, investor in such Securities or any rating agency (a "Rating Agency") rating such Securities (all of the foregoing entities collectively referred to as the "Investor") and each prospective Investor, all documents and information which Lender now has or may hereafter acquire relating to the Debt and to Borrower, any Guarantor, any Indemnitor and the Property, whether furnished by Borrower, any Guarantor, any Indemnitor or otherwise, as Lender determines necessary or desirable. Borrower shall promptly furnish and Borrower, any Guarantor and any Indemnitor consent to Lender furnishing to such Investors or such prospective Investors or Rating Agency any and all available information concerning the Property, the Leases, the financial condition of Borrower, any Guarantor and any Indemnitor as may be reasonably requested by Lender, any Investor or any prospective Investor or Rating Agency (including, but not limited to, copies of information previously supplied to Lender) in connection with any sale, transfer or participation interest. In addition to any other obligations Borrower may have under this Section 16.1, Borrower, SCOLP and any Guarantor or Indemnitor agree to cooperate with Lender and its Affiliates in connection with any transfer made or any Securities created pursuant to this Section, including: (a) making or causing to be made changes or modifications to (i) the Loan Documents, including (1) bifurcating the Note into two or more notes and/or splitting this Security Instrument into two or more mortgages, deeds of trust or deeds to secure debt (as the case may be) of the same or different priorities or otherwise as determined by and acceptable to Lender or (2) dividing the Note into multiple components corresponding to tranches of certificates to be issued in a Securitization each having a notional balance and an interest rate determined by Lender; provided, however, (1) in the event any new promissory notes evidencing the Loan are prepared and executed in connection with such a separation, Lender shall promptly return the original Note to Borrower and (2) Borrower shall not be required to modify or amend any Loan Document if the overall effect of such modification or amendment would (x) except as the result of an Event of Default and the acceleration of the Loan, change the weighted average interest rate, the maturity, the application of payments or the amortization of principal set forth in the Note, (y) modify or amend any other term of the Note or the other Loan Documents in a manner adverse to Borrower in any material respect, or (z) modify the manner in which Borrower and/or its Affiliates operate the Property or conduct their business operations, (ii) the organizational documents of Borrower and each Affiliate of Borrower required to be a Special Purpose Entity pursuant to the terms of this Security Instrument, (iii) any customary opinion letters, and (iv) other documentation as may be requested by Lender or a Rating Agency; (b) obtaining ratings from two or more Rating

Agencies; (c) reviewing sections specifically identified by Lender of prepared offering materials relating to the Property, Borrower, SCOLP, any Guarantor or Indemnitor, and making certain representations and warranties as may be reasonably requested by Lender with regard to such specifically identified sections of offering materials, and consistent with the facts covered by such representations and warranties as they exist on the date thereof; provided, however, such obligation shall not create any obligation on the part of Borrower to update the effective date of any representations made by Borrower in connection with the origination of the Loan; (d) promptly delivering updated information on Borrower, SCOLP, any Guarantor or Indemnitor and the Property; (e) participating (including senior management of Borrower, SCOLP and any Guarantor or Indemnitor) in bank, Rating Agency or investor meetings if requested by Lender; and (f) providing Lender and its Affiliates with customary indemnifications regarding misstatements or omissions of material facts. Notwithstanding the foregoing, Borrower shall not be required to incur any costs of Lender or any other party that is not an Affiliate of Borrower in connection with the cooperation of Borrower, SCOLP and any Guarantor or Indemnitor contemplated by this Section 16.1.

17 - COSTS

17.1 PERFORMANCE AT BORROWER'S EXPENSE. Borrower acknowledges and confirms that Lender shall be entitled to impose certain administrative processing and/or commitment fees in connection with: (a) extensions, renewals, modifications, amendments and terminations of the Loan Documents requested by Borrower, and (b) the release or substitution of collateral for the Loan requested by Borrower, and that Lender shall be entitled to reimbursement for its reasonable out-of-pocket costs and expenses associated with its provision of consents, waivers and approvals under the Loan Documents (the occurrence of any of the above shall be called an "Event"). Borrower further acknowledges and confirms that it shall be responsible for the payment of all costs of reappraisal of the Property or any part thereof, which are required by law, regulation or any governmental or quasi-governmental authority. Borrower hereby acknowledges and agrees to pay, immediately, upon demand, all such fees, costs and expenses.

17.2 ATTORNEY'S FEES FOR ENFORCEMENT. (a) Borrower shall pay all reasonable legal fees incurred by Lender in connection with the preparation of the Note, this Security Instrument and the other Loan Documents, and (b) Borrower shall pay to Lender on demand any and all expenses, including legal expenses and attorneys' fees, incurred or paid by Lender in protecting its interest in the Property or in collecting any amount payable hereunder or in enforcing its rights hereunder with respect to the Property, whether or not any legal proceeding is commenced hereunder or thereunder and whether or not any default or Event of Default shall have occurred and is continuing, together with interest thereon at the Default Rate from the date paid or incurred by Lender until such expenses are paid by Borrower.

18 - DEFINITIONS

18.1 GENERAL DEFINITIONS. Unless the context clearly indicates a contrary intent or unless otherwise specifically provided herein, words used in this Security Instrument may be used interchangeably in singular or plural form and the word "Borrower", in addition to the meaning given to such term in the opening paragraph of this Security Instrument, shall also mean "each Borrower and any subsequent owner or owners of the Property or any part thereof or any interest therein," the word "Lender", in addition to the meaning given to such term in the opening paragraph of this Security Instrument, shall also mean "Lender, its servicer and any subsequent holder of the Note," the word "Note", in addition to the meaning given to such term in the Recital paragraph of this Security Instrument, shall also mean "the Note and any other evidence of indebtedness secured by this Security Instrument," the word "person" shall include an individual, corporation, partnership, limited liability company, trust, unincorporated association, government, governmental authority, and any other entity, the word "Property" shall include any portion of the Property and any interest therein, and the phrases "attorneys' fees", "legal fees" and "counsel fees" shall include any and all reasonable attorneys', paralegal and law clerk fees and disbursements, including, but not limited to, fees and disbursements at the pre-trial, trial and appellate levels incurred or paid by Lender in protecting its interest in the Property, the Leases and the Rents and enforcing its rights hereunder. The terms "include(s)" and "including" shall mean "include(s), without limitation" and "including, without limitation", respectively.

19.1 NO ORAL CHANGE. This Security Instrument, and any provisions hereof, may not be modified, amended, waived, extended, changed, discharged or terminated orally or by any act or failure to act on the part of Borrower or Lender, but only by an agreement in writing signed by the party against whom enforcement of any modification, amendment, waiver, extension, change, discharge or termination is sought.

19.2 LIABILITY. If Borrower consists of more than one person, the obligations and liabilities of each such person hereunder shall be joint and several. This Security Instrument shall be binding upon and inure to the benefit of Borrower and Lender and their respective successors and assigns forever.

19.3 INAPPLICABLE PROVISIONS. If any term, covenant or condition of the Note or this Security Instrument is held to be invalid, illegal or unenforceable in any respect, the Note and this Security Instrument shall be construed without such provision.

19.4 HEADINGS, ETC. The headings and captions of various Sections of this Security Instrument are for convenience of reference only and are not to be construed as defining or limiting, in any way, the scope or intent of the provisions hereof.

19.5 DUPLICATE ORIGINALS; COUNTERPARTS. This Security Instrument may be executed in any number of duplicate originals and each duplicate original shall be deemed to be an original. This Security Instrument may be executed in several counterparts, each of which counterparts shall be deemed an original instrument and all of which together shall constitute a single Security Instrument. The failure of any party hereto to execute this Security Instrument, or any counterpart hereof, shall not relieve the other signatories from their obligations hereunder.

19.6 NUMBER AND GENDER. Whenever the context may require, any pronouns used herein shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns and pronouns shall include the plural and vice versa.

19.7 SUBROGATION. If any or all of the proceeds of the Note have been used to extinguish, extend or renew any indebtedness heretofore existing against the Property, then, to the extent of the funds so used, Lender shall be subrogated to all of the rights, claims, liens, titles, and interests existing against the Property heretofore held by, or in favor of, the holder of such indebtedness and such former rights, claims, liens, titles, and interests, if any, are not waived but rather are continued in full force and effect in favor of Lender and are merged with the lien and security interest created herein as cumulative security for the payment and performance of the Obligations.

19.8 BROKERS. Borrower agrees to pay and to indemnify and hold Lender harmless from any all loss, cost or expense (including attorneys' fees and expenses) arising from the claims of any brokers or anyone claiming a right to any fees in connection with the financing of the Property. Notwithstanding the foregoing, Borrower acknowledges that Lender or its affiliates may have a contractual relationship with the broker, if any, that arranged the Loan on Borrower's behalf, and that such broker may be entitled to fees from Lender or its affiliates in connection with the origination, closing or servicing of the Loan, which fees shall be in addition to any brokerage fees owed by Borrower to such broker. Borrower shall not be responsible for any such additional fees. Borrower acknowledges and agrees that it has made and will make such inquiries of the broker, if any, that arranged the Loan with respect to the nature or existence of such arrangement. No agreement by Lender to pay any such fees or compensation to such broker (if any) shall be binding upon Lender unless it is set forth in separate written instrument that has been duly executed by Lender and such broker.

19.9 ENTIRE AGREEMENT. The Note, this Security Instrument and the other Loan Documents constitute the entire understanding and agreement between Borrower and Lender with respect to the transactions arising in connection with the Debt and supersede all prior written or oral understandings and agreements between Borrower and Lender with respect thereto. Borrower hereby acknowledges that, except as incorporated in writing in the Note, this Security Instrument and the other Loan Documents, there are not, and were not, and no persons are or were authorized by Lender to make, any representations, understandings,

stipulations, agreements or promises, oral or written, with respect to the transaction which is the subject of the Note, this Security Instrument and the other Loan Documents.

20 - STATE SPECIFIC PROVISIONS

20.1 **FUTURE ADVANCES.** This Security Instrument is intended to apply to future advances pursuant to 25 Del. C. § 2118. This Security Instrument secures not only existing indebtedness or advances made contemporaneously with the execution hereof, if any, but also future principal advances, with all interest accrued thereon, to or for the benefit of Borrower up to a maximum principal amount of **THIRTY-FIVE MILLION AND 00/100 DOLLARS (\$35,000,000.00)**, made pursuant to the terms of the Note, this Security Instrument, the Other Loan Documents and other documents evidencing the secured indebtedness (as the same may be modified, amended or supplemented from time to time), the terms of all of which are incorporated herein by reference. All such future advances, whether such advances are obligatory, optional or both and whether made before or after default or maturity or other similar event, shall be secured by this Security Instrument to the same extent as if such future advances were made contemporaneously with the execution of the Security Instrument, even though no advance may have been made at the time of execution of this Security Instrument and even though no indebtedness is outstanding at the time any advance is made. Any lien attaching to the Property after the date hereof shall be under, subject and subordinate to all indebtedness, including without limitation, future advances (regardless of when made) secured hereby. This Security Instrument shall also secure, in addition to the maximum principal amount specified herein, disbursements and other advances made for the payment of taxes, assessments, maintenance, care, protection or insurance on the Property, for the discharge of liens having priority over the lien of this Security Instrument, for the curing of waste of the Property, for indemnification obligations regarding environmental liabilities of the Property, and for service charges and expenses incurred by reason of a default hereunder, including, without limitation, late charges, attorney's fees and court costs, together with interest on all such disbursements at the rate then in effect under the Note or this Security Instrument, and all other charges, disbursements, advances, costs and expenses now or hereafter permitted by law. The preference and priority of the lien of this Security Instrument shall extend to any and all modifications of this Security Instrument or of the obligations secured by this Security Instrument, except to the extent expressly limited by Applicable Laws. Nothing herein contained shall be deemed an obligation on the part of the Lender to make any future advances.

20.2 **CONFLICTING PROVISIONS.** The provisions of this Article are intended to supplement, and not limit, the other provisions of this Security Instrument; provided, however, that in the event the provisions of this Article contradict any other provision of this Security Instrument, the provisions of this Article shall govern.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the Borrower has duly executed this Security Instrument with the intent that the document be executed and delivered as a sealed instrument, and affixed its seal or adopted as its seal the word "(SEAL)" appearing beside its execution below, all as of the date and year first written above.

BORROWER:

EXHIBIT A

(Description of Land)

ALL of that certain lot, piece or parcel of land, with the buildings and improvements thereon, situate, lying and being in Kent County, Delaware and being more particularly described as follows:

REPLACEMENT RESERVE AND LEASING RESERVE REQUIREMENTS

1. Defined Terms.

All capitalized terms used herein and not defined in this Security Instrument shall have the meanings set forth in Section 7 of this Exhibit B. To the extent any Reserve Deposit is assigned the meaning "none" in the Reserve Letter, the provisions set forth in this Exhibit B specifically relating to the making or application of such Reserve Deposits shall be disregarded.

2. Reserve Deposits.

(a) Concurrently with the execution of this Security Instrument, Borrower shall deposit with Lender the Deferred Maintenance Deposit. The Deferred Maintenance Deposit shall be applied as provided in Section 4.1 of this Exhibit B.

(b) On each date that a regularly scheduled payment of principal or interest is due under the Note, Borrower shall be required to make a Monthly Deposit. Notwithstanding anything contained herein to the contrary, no Monthly Deposit shall be required unless an Event of Default shall have occurred.

(c) Lender shall deposit each Monthly Deposit, as received, in an escrow account (the "Reserve"). Out of each Monthly Deposit, the Monthly Replacement Account Deposit shall be allocated to an account (the "Replacement Account") for the payment of Replacements and the Monthly Leasing Account Deposit shall be allocated to an account (the "Leasing Account") for the payment of Tenant Improvements and Leasing Commissions (as defined below) in conjunction with Leases (as hereinafter defined).

(d) Lender shall maintain a record of all deposits into and withdrawals from the Reserve and their allocation to the Replacement Account and the Leasing Account. Lender or a designated representative of Lender shall have the sole right to make withdrawals from such account.

3. Disbursements.

(a) Provided no Event of Default exists, Lender shall make disbursements of funds available in the Replacement Account to reimburse Borrower for Replacements.

(b) Provided no Event of Default exists, Lender shall make disbursements of funds in the Leasing Account to reimburse Borrower for the cost of (i) tenant improvements required under any Lease (collectively, the "Tenant Improvements"); and (ii) leasing commissions incurred by Borrower in connection with any Lease, provided that (x) such leasing commissions are reasonable and customary for properties similar to the Property and the portion of the Property for which such leasing commission is due, (y) the amount of such leasing commissions are determined pursuant to arms length transactions between Borrower and any leasing agent to which a leasing commission is due, and excluding any leasing commissions which shall be due any general partner, or shareholder of Borrower or any affiliate of Borrower and (z) the tenant under the related Lease shall have taken occupancy of its entire leased premises and commenced the payment of its entire base minimum rent (collectively, "Leasing Commissions").

(c) Lender shall, upon written request from Borrower and satisfaction of the requirements set forth in this Section 3, disburse to Borrower amounts from the Reserve necessary to reimburse Borrower for the actual costs of (i) any Leasing Commissions and (ii) any work relating to Replacements or Tenant Improvements (collectively, "Work").

(d) Each request for disbursement from the Reserve shall be in a form specified or approved by Lender, and shall be accompanied by evidence of the full performance of the obligations of the leasing

agent or satisfactory completion of the Work, as the case may be, and such bills, invoices and other evidence of the incurrence of the related costs and expenses as Lender may reasonably request.

(e) Borrower shall not make a request for disbursement from the Reserve more frequently than once in any calendar quarter.

(f) Borrower shall not make a request for disbursement from the Reserve in an amount less than the lesser of (i) \$5,000, and (ii) the total cost of the Replacement, Tenant Improvement or Leasing Commission for which the disbursement is requested.

4. Performance of Replacements.

4.1 Deferred Maintenance. Notwithstanding anything contained herein to the contrary, Borrower agrees to perform all of the Scheduled Repairs within sixty (60) days after the date hereof or such other period of time, if any, set forth in the Reserve Letter. The Deferred Maintenance Deposit shall be used solely for the payment of the actual costs of the Scheduled Repairs. Upon completion of the Scheduled Repairs in accordance with the requirements hereof, the portion of the Deferred Maintenance Deposit remaining undisbursed, if any, shall be disbursed to Borrower. All conditions, covenants and agreements set forth herein with respect to a disbursement from the Replacement Account shall apply to the disbursements from the Deferred Maintenance Deposit.

4.2 Entry Onto Property: Inspections. Lender may inspect the Property in connection with any Work prior to disbursing funds from the Reserve with respect thereto. In connection with any Work that is (i) a structural repair or improvement, (ii) a replacement or repair of a major component or element of any part of the Property or (iii) Scheduled Repairs, Lender may require, at Borrower's expense, one or more inspections and/or certificates of completion by an appropriate independent, qualified professional (e.g., architect, engineer, consultant) approved by Lender. In addition to Lender's costs and expenses, Borrower shall pay Lender a reasonable inspection fee, provided, however, such fees shall not exceed \$500, in the aggregate, in any calendar year.

5. Borrower's Records. Borrower shall furnish such financial statements, invoices, records, papers and documents relating to the Property as Lender may reasonably require from time to time to make the determinations permitted or required to be made by Lender with respect to disbursements of the Deferred Maintenance Deposit and/or the Reserve.

6. Insufficiency of Reserve Balances, Temporary Deferral of Monthly Deposits. The insufficiency of any balance in the Reserve or the Deferred Maintenance Deposit shall not abrogate Borrower's agreement to fulfill its obligations contained in this Security Instrument. In the event Lender determines that (i) the balance in the Reserve is less than the current estimated cost to complete the Work and pay the Leasing Commissions which Borrower, in the prudent operation of the Property can reasonably be anticipated to incur during the succeeding twenty four (24) months, or (ii) the balance of the Deferred Maintenance Deposit is less than the amount necessary to complete the Scheduled Repairs, Borrower shall deposit the shortage within ten (10) days of request by Lender. In the event Lender determines from time to time based on Lender's inspections that the amount of the Monthly Deposit is insufficient to fund the cost of likely Work and Leasing Commissions and related contingencies that may arise during the remaining term of the Loan, Lender may require an increase in the amount of the Monthly Deposits upon thirty (30) days prior written notice to Borrower. Lender may approve a temporary deferral or a reduction in the amount of the Monthly Deposit; provided, however, that if Lender approves either a temporary deferral or reduction in the amount of the Monthly Deposit, such action by Lender shall not prevent Lender from requiring Borrower to resume payment of the Monthly Deposits on any date that Lender may deem appropriate.

7. Certain Defined Terms. The following terms shall have the meanings assigned to them below:

(a) "Deferred Maintenance Deposit" means the Deferred Maintenance Deposit set forth in the Reserve Letter, if any.

- (b) "Monthly Deposit" means the sum of the Monthly Leasing Account Deposit and the Monthly Replacement Account Deposit.
- (c) "Monthly Leasing Account Deposit" means the Monthly Leasing Account Deposit set forth in the Reserve Letter, if any.
- (d) "Monthly Replacement Account Deposit" means the Monthly Replacement Account Deposit set forth in the Reserve Letter. If there is no Monthly Leasing Account Deposit, the Monthly Replacement Account Deposit shall have the same meaning as the Monthly Deposit.
- (e) "Replacements" means the costs of any repairs, improvements, equipment, alterations, additions, changes, replacements and other items which, under generally accepted accounting principles, consistently applied, are properly classified as capital expenditures or capital improvements (and, in the case of multifamily projects only shall include the costs of window treatments and carpeting, blinds, equipment and appliances, and painting of the exterior of the Property), but excluding (i) costs of routine maintenance to the Property; (ii) the costs of salaries, benefits and administrative expenses related to the employment of (A) officers and executives of Borrower, and of employees of Borrower above the level of building manager, and (B) employees of Borrower at or below the level of building manager, except in the case of those costs which Borrower can demonstrate to Lender's satisfaction to be properly allocable to the work performed by such employees in connection with Replacements; (iii) the cost of any items for which Borrower is reimbursed by insurance or otherwise; (iv) the cost of any landscaping work to the Property; (v) the cost of any material additions or material alterations to the Property after the date hereof; and (vi) (except in the case of multifamily projects) the cost of any alterations, additions, changes, replacements and improvements that are made primarily in order to prepare space for occupancy by a tenant.
- (f) "Reserve Deposits" shall mean the Deferred Maintenance Deposit and the Monthly Deposit.
- (g) "Reserve Letter" means a letter from Borrower to Lender of even date herewith confirming the amount of the Monthly Replacement Account Deposit, the Monthly Leasing Deposit Account Deposit (if any) and the Deferred Maintenance Deposit, if any, and the Scheduled Repairs, if any.
- (h) "Scheduled Repairs" means the Scheduled Repairs described in the Reserve Letter, if any.

PROVISIONS REGARDING LETTERS OF CREDIT

1. Certain Defined Terms. For purposes hereof, the following terms shall have the following meanings:

(a) "Eligible Institution" shall mean shall mean a depository institution or trust company, insured by the Federal Deposit Insurance Corporation, (a) the short term unsecured debt obligations or commercial paper of which are rated at least A 1+ by S&P, P 1 by Moody's and F 1+ by Fitch in the case of accounts in which funds are held for thirty (30) days or less, or (b) the long term unsecured debt obligations of which are rated at least "AA" by Fitch and S&P and "Aa2" by Moody's in the case of accounts in which funds are held for more than thirty (30) days.

(b) "Fitch" shall mean Fitch, Inc.

(c) "Letter of Credit" shall mean an irrevocable, unconditional, transferable, clean sight draft letter of credit acceptable to Lender and the Rating Agencies (which shall have a term of one (1) year, be an evergreen letter of credit or shall not expire until at least thirty (30) Business Days after the Maturity Date) in favor of Lender and entitling Lender to draw thereon in New York, New York, issued by a domestic Eligible Institution or the U.S. agency or branch of a foreign Eligible Institution. If at any time the bank issuing any such Letter of Credit shall cease to be an Eligible Institution, Lender shall send notice of same to Borrower and Borrower shall have thirty (30) days within which to either (i) obtain a new Letter of Credit with an Eligible Institution or (ii) if such event occurs after a Securitization, deliver to Lender a Rating Agency Confirmation stating that the credit rating of the Securities will not be qualified, downgraded or withdrawn if such Letter of Credit is not replaced with a Letter of Credit issued by an Eligible Institution. If a Rating Agency Confirmation or a new Letter of Credit issued by an Eligible Institution has not been delivered to Lender within such thirty (30) day period, or if any Letter of Credit has not been renewed or extended at least thirty (30) days prior to its expiration date, then Lender shall have the right immediately to draw down the same in full and hold the proceeds of such draw in accordance with the applicable provisions hereof, and, upon the receipt by Lender of 100% of the proceeds of such draw, Borrower's obligation to obtain such new Letter of Credit with an Eligible Institution or a Rating Agency Confirmation shall be deemed satisfied.

(d) "Moody's" shall mean Moody's Investors Service, Inc.

(e) "S&P" shall mean Standard & Poor's Ratings Services, a division of McGraw-Hill, Inc.

2. Delivery of Letters of Credit.

(a) In lieu of making payments to the Escrow Fund for the purpose of paying Taxes, Borrower may deliver to Lender a Letter of Credit in accordance with the provisions of this Exhibit C. The aggregate amount of any such Letter of Credit and cash on deposit in the Escrow Fund shall at all times be equal to or greater than the aggregate amount that Borrower shall be required to deposit into the Escrow Fund pursuant to Section 3.4 of this Security Instrument for purposes of paying Taxes becoming due within the ensuing twelve (12) month period (the "Required Amount"). Within thirty (30) days of Borrower's delivery of a Letter of Credit to Lender in the Required Amount that complies with the requirements of this Exhibit C, Lender shall release to Borrower the amount by which the sum of the cash on the deposit in the Escrow Fund and the amount of such Letter of Credit exceeds the Required Amount. Thereafter, Borrower shall be responsible for making the direct payment of Taxes and Lender shall have no responsibility therefor.

(b) Borrower shall give Lender no less than thirty (30) days notice of Borrower's election to deliver a Letter of Credit and Borrower shall pay to Lender all of Lender's reasonable out-of-pocket costs and expenses in connection therewith. Borrower shall not be entitled to draw from any such Letter of Credit. If a Letter of Credit has been outstanding for more than three (3) months, upon ten (10) days notice to Lender

Borrower may replace such Letter of Credit with a cash deposit to the Escrow Fund . Prior to the return of a Letter of Credit, Borrower shall deposit an amount equal to the amount that would have accumulated in the Escrow Fund.

(c) Borrower shall deposit cash with Lender, deliver to Lender an additional Letter of Credit or deliver to Lender a valid and binding amendment of any existing Letter of Credit to increase the undrawn amount thereof within ten (10) of notice from Lender that Borrower is not in compliance with its obligations under Section 2.1(a) above.

3. Provisions Regarding Letters of Credit.

(a) Event of Default. An Event of Default shall occur if Borrower shall fail to amend, replace, increase or extend any Letter of Credit as required by this Exhibit C (including, but not limited to, as set forth in Section 2.1(c) above or in the definition of Letter of Credit).

(b) Security for Debt. Each Letter of Credit delivered under this Security Instrument shall be additional security for the payment of the Debt. Upon the occurrence of an Event of Default, Lender shall have the right, at its option, to draw on any Letter of Credit and to apply all or any part thereof the payment of the items for which such Letter of Credit was established or to apply each such Letter of Credit to payment of the Debt in such order, proportion or priority as Lender may determine or to hold such proceeds as security for the Debt.

(c) Additional Rights of Lender. In addition to any other right Lender may have to draw upon a Letter of Credit pursuant to the terms and conditions of this Agreement, Lender shall have the additional rights to draw in full any Letter of Credit: (a) with respect to any evergreen Letter of Credit, if Lender has received a notice from the issuing bank that the Letter of Credit will not be renewed and a substitute Letter of Credit is not provided at least thirty (30) days prior to the date on which the outstanding Letter of Credit is scheduled to expire; (b) with respect to any Letter of Credit with a stated expiration date, if Lender has not received a notice from the issuing bank that it has renewed the Letter of Credit at least thirty (30) days prior to the date on which such Letter of Credit is scheduled to expire and a substitute Letter of Credit is not provided at least thirty (30) days prior to the date on which the outstanding Letter of Credit is scheduled to expire; (c) upon receipt of notice from the issuing bank that the Letter of Credit will be terminated (except if the termination of such Letter of Credit is provided); or (d) if Lender has received notice that the bank issuing the Letter of Credit shall cease to be an Eligible Institution and Borrower has not, within thirty (30) days after notice thereof, obtained a new Letter of Credit with an Eligible Institution.

\$20,000,000.00

January _5, 2007

FOR VALUE RECEIVED SEA BREEZE LIMITED PARTNERSHIP, a Delaware limited partnership, as maker, having an address at 27777 Franklin Road, Suite 200, Southfield, Michigan 48034 (“**Borrower**”), hereby unconditionally promises to pay to the order of **LEHMAN BROTHERS BANK, FSB**, a federal stock savings bank, having an address at 1000 West Street, Suite 200, Wilmington, Delaware 19801 (“**Lender**”), or at such other place as the holder hereof may from time to time designate in writing, the principal sum of **TWENTY MILLION AND 00/100 DOLLARS (\$20,000,000.00)**, in lawful money of the United States of America with interest thereon to be computed from the date of this Note at the Applicable Interest Rate (defined below), and to be paid in installments as provided herein.

1. CERTAIN DEFINED TERMS

As used herein the following terms shall have the meanings set forth below:

(a) “**Accrual Period**” means the period commencing on the eleventh (11th) day of a calendar month and ending on the tenth (10th) day of the succeeding calendar month; provided that if this Note is dated as of any date other than the eleventh (11th) day of a month, the first Accrual Period shall (i) consist of only the date hereof, if the date hereof is the tenth (10th) day of a month, or (ii) commence on the date hereof and shall end on the next tenth (10th) day of a calendar month to occur after the date hereof.

(b) “**Applicable Interest Rate**” shall mean an interest rate equal to 5.825% per annum.

(c) “**Loan**” shall mean the loan evidenced by this Note.

(d) “**Loan Documents**” shall mean this Note, the Security Instrument, and any other documents or instruments which now or shall hereafter wholly or partially secure or guarantee payment of this Note or which have otherwise been executed by Borrower and/or any other person in connection with the Loan.

(e) “**Defeasance Lockout Date**” shall mean the earlier of (a) the fourth (4th) anniversary of the date hereof and (b) the Prepayment Lockout Date.

(f) “**Maturity Date**” shall mean January 11, 2017.

(g) “**Monthly Payment**” shall mean an amount equal to all interest that has accrued on the outstanding principal balance of this Note during the immediately preceding Accrual Period.

(h) “**Monthly Payment Date**” shall mean the eleventh (11th) day of each calendar month prior to the Maturity Date commencing on (i) the eleventh (11th) day of the next succeeding calendar month after the date hereof if this Note is dated on or prior to the eleventh (11th) day of a month, or (ii) the eleventh (11th) day of the second succeeding calendar month after the date hereof if this Note is dated after the eleventh (11th) day of a month.

(i) “**Par Date**” shall mean October 11, 2016.

(j) “**Prepayment Lockout Date**” shall mean two years and one day from the “startup day” (the “**Startup Day**”) of any “real estate mortgage investment conduit” (as such terms are defined in Sections 860G and 860D, respectively, of the Internal Revenue Code of 1986, as amended, or any successor statute thereto (the “**Code**”)), which may acquire the Loan.

(k) “**Security Instrument**” shall mean the Mortgage and Security Agreement dated the date hereof in the principal sum of **TWENTY MILLION AND 00/100 DOLLARS (\$20,000,000.00)** given by Borrower to (or for the benefit of) Lender covering the fee estate of Borrower in certain premises located in Sussex County, State of Delaware, and other property, as more particularly described therein (collectively, the “**Property**”).

2. PAYMENT TERMS

(a) If this Note is dated as of a date other than the eleventh (11th) day of a calendar month, a payment shall be due from Borrower to Lender on the date hereof on account of all interest scheduled to accrue on the principal sum from and after the date hereof through and including the last day of the current Accrual Period. The Monthly Payment shall be due from Borrower to Lender on each Monthly Payment Date, with each Monthly Payment to be applied as follows: to the payment of interest which has accrued during the preceding Accrual Period computed at the Applicable Interest Rate. The principal sum and all interest thereon shall be due and payable on the Maturity Date. Interest on the principal sum of this Note shall be calculated by multiplying the actual number of days elapsed in the period for which interest is being calculated by a daily rate based on a 360-day year.

(b) Unless payments are made in the required amount in immediately available funds at the place where this Note is payable, remittances in payment of all or any part of the Debt (defined below) shall not, regardless of any receipt or credit issued therefor, constitute payment until the required amount is actually received by Lender in funds immediately available at the place where this Note is payable (or any other place as Lender, in Lender’s sole discretion, may have established by delivery of written notice thereof to Borrower) and shall be made and accepted subject to the condition that any check or draft may be handled for collection in accordance with the practice of the collecting bank or banks.

3. DEFAULT AND ACCELERATION

(a) The whole of the principal sum of this Note, (b) interest, default interest, late charges and other sums, as provided in this Note, the Security Instrument or the other Loan Documents, (c) all other monies agreed or provided to be paid by Borrower in this Note, the Security Instrument or the other Loan Documents, (d) all sums advanced pursuant to the Security Instrument to protect and preserve the Property and the lien and the security interest created thereby, and (e) all sums advanced and costs and expenses incurred by Lender in connection with the Debt (defined below) or any part thereof, any renewal, extension, or change of or substitution for the Debt or any part thereof, or the acquisition or perfection of the security therefor, whether made or incurred at the request of Borrower or Lender (all the sums referred to in (a) through (e) above shall collectively be referred to as the “**Debt**”) shall without notice become immediately due and payable at the option of Lender if any payment required in this Note prior to the Maturity Date is not paid on the date when due or on the happening of any other default, after the expiration of any applicable notice and grace periods, herein or under the terms of the Security Instrument or any of the other Loan Documents (collectively, an “**Event of Default**”).

4. DEFAULT INTEREST

Borrower does hereby agree that upon the occurrence of an Event of Default, Lender shall be entitled to receive and Borrower shall pay interest on the entire unpaid principal sum at a rate (the “**Default Rate**”) equal to (i) the greater of (a) the Applicable Interest Rate plus three percent (3%) and (b) the Prime Rate (as hereinafter defined) plus four percent (4%) or (ii) the maximum interest rate that Borrower may by law pay, whichever is lower. The Default Rate shall be computed from the occurrence of the Event of Default until the earlier of the date upon which the Event of Default is cured or the date upon which the Debt is paid in full. Interest calculated at the Default Rate shall be added to the Debt, and shall be deemed secured by the Security Instrument. This provision, however, shall not be construed as an agreement or privilege to extend the date of the payment of the Debt, nor as a waiver of any other right or remedy accruing to Lender by reason of the occurrence of any Event of Default.

The “**Prime Rate**” shall mean the annual rate of interest publicly announced by Citibank, N.A. in New York, New York, as its base rate, as such rate shall change from time to time. If Citibank, N.A. ceases to announce a base rate, Prime Rate shall mean the rate of interest published in The Wall Street Journal from time to time as the Prime Rate. If more than one Prime Rate is published in The Wall Street Journal for a day, the average of the Prime Rates shall be used, and such average shall be rounded up to the nearest one-quarter of one percent (.25%). If The Wall Street Journal ceases to publish the “Prime Rate”, the Lender shall select an equivalent publication that publishes such “Prime Rate”, and if such prime rates are no longer generally published or are limited, regulated or administered by a governmental or quasi-governmental body, then Lender shall select a comparable interest rate index.

5. PREPAYMENT; DEFEASANCE

(a) Borrower shall not have the right or privilege to prepay all or any portion of the unpaid principal balance of this Note until the Prepayment Lockout Date. From and after the Prepayment Lockout Date, provided no Event of Default exists, the principal balance of this Note may be prepaid, in whole but not in part, upon: (i) not less than 30 days and not more than 60 days prior written notice (the “**Prepayment Notice**”) to Lender specifying the date on which prepayment is to be made (the “**Prepayment Date**”); (ii) payment of all accrued and unpaid interest on the outstanding principal balance of this Note to and (unless such payment is received before noon on a Monthly Payment Date) including the Prepayment Date, together with a payment of all interest which would have accrued on the principal balance of this Note to and including the last day of the Accrual Period in which the Prepayment Date occurs, if such prepayment occurs on a date which is not the eleventh (11th) day of a calendar month (the “**Shortfall Interest Payment**”); (iii) payment of all other sums then due under this Note, the Security Instrument and the other Loan Documents and (iv) if the Prepayment Date occurs prior to the Par Date, payment of a prepayment consideration (the “**Prepayment Consideration**”) in an amount equal to the present value of a series of payments each equal to the Payment Differential (hereinafter defined) and payable on each Monthly Payment Date over the remaining original term of this Note through and including the Par Date discounted at the Reinvestment Yield (hereinafter defined) for the number of months remaining from the Prepayment Date to each such Monthly Payment Date. The term “**Reinvestment Yield**” as used herein shall be equal to the lesser of (a) the (i) yield on the U.S. Treasury issue (primary issue) with the same maturity date as the Par Date; or (ii) if no such U.S. Treasury issue is available, then the interpolated yield on the two U.S. Treasury issues (primary issues) with maturity dates (one prior to and one following) that are closest to the Par Date, or (b) the (i) yield on the U.S. Treasury issue (primary issue) with a term equal to the remaining average life of the Debt (assuming that this Note matures on the Par Date); or (ii) if no such U.S. Treasury issue is available, then the interpolated yield on the two U.S. Treasury issues (primary issues) with terms (one prior to and one following) that are closest to the remaining average life of the Debt (assuming that this Note matures on the Par Date), with each such yield being based on the bid price for such issue as published in The Wall Street Journal on the date that is 14 days prior to the Prepayment Date set forth in the Prepayment Notice (or, if such bid price is not published on that date, the next preceding date on which such bid price is so published) and converted to a monthly compounded nominal yield. The term “**Payment Differential**” as used herein shall be equal to (x) the Applicable Interest Rate minus the Reinvestment Yield, divided by (y) 12 and multiplied by (z) the principal sum outstanding on such Prepayment Date, provided that the Payment Differential shall in no event be less than zero. In no event, however, shall Lender be required to reinvest any prepayment proceeds in U.S. Treasury obligations or otherwise. Lender shall notify Borrower of the amount, and the basis of determination, of the required Prepayment Consideration. If a Prepayment Notice is given by Borrower to Lender pursuant to this Article 5, the principal balance of this Note and the other sums required under this Article shall be due and payable on the Prepayment Date. Lender shall not be obligated to accept any prepayment of the principal balance of this Note unless it is accompanied by all sums due in connection therewith.

(b) (i) At any time from and after the Defeasance Lockout Date and provided no Event of Default exists at the time, Borrower may obtain the release of the Property from the lien of the Security Instrument and all other security interests held by Lender in connection with the Loan upon the satisfaction of the following conditions precedent:

- (1) Borrower shall have provided Lender with not less than thirty (30) days and not more than sixty (60) days prior written notice specifying the date (the "**Release Date**") on which the Defeasance Deposit (hereinafter defined) is to be made;
- (2) Borrower shall have paid to Lender all interest accrued and unpaid on the principal balance of this Note to and including the Release Date;
- (3) Borrower shall have paid to Lender all other sums due and payable under this Note, the Security Instrument and the other Loan Documents through and including the Release Date (including, but not limited to, any Monthly Payment which may be due and payable on the Release Date);
- (4) Borrower shall have paid to Lender the Defeasance Deposit (hereinafter defined);
- (5) The transactions contemplated by this Section 5(b) shall not constitute a prohibited transaction for or a contribution after the Startup Day to a "REMIC Trust" (a "**REMIC Trust**") which shall own the Loan and will not disqualify such REMIC Trust as a "real estate mortgage investment conduit" within the meaning of Section 860D of the Code, and the Loan shall continue to constitute a "qualified mortgage" within the meaning of Sections 860D and 860G(a)(3) of the Code, and Lender shall have received an opinion, in form and from a counsel acceptable to Lender, with respect to the matters described in this clause (5) provided, however, that this clause (5) shall not prevent Borrower from entering into the transactions contemplated by this Section 5(b) if the conditions in this clause (5) cannot be satisfied due solely to the fact that such transactions are occurring after the Defeasance Lockout Date but prior to the Prepayment Lockout Date; and
- (6) Borrower shall have delivered to Lender the following:
 - (A) a security agreement, in form and substance satisfactory to Lender, creating a first priority lien on the Defeasance Deposit and the Defeasance Collateral (hereinafter defined) purchased on behalf of Borrower with the Defeasance Deposit in accordance with the provisions of this Section 5(b) (the "**Pledge Agreement**"), which Pledge Agreement shall provide, among other things, that any excess payments of principal and interest received by Lender under the Defeasance Collateral over the amount needed to make payments of principal and interest and other sums due from Borrower hereunder shall be refunded to Borrower;
 - (B) a release of the Property from the lien of the Security Instrument (for execution by Lender) in a form appropriate for the jurisdiction in which the Property is located;
 - (C) an officer's certificate of Borrower certifying that the requirements set forth in this Section 5(b) have been satisfied;
 - (D) a certificate by Borrower's independent public accountant certifying that the cash flow from the Defeasance Collateral will be sufficient to timely meet all Scheduled Defeasance Payments (as hereinafter defined);
 - (E) an opinion of counsel for Borrower in form satisfactory to Lender stating, among other things, that Lender will have a perfected first priority security interest in the Defeasance Deposit and the Defeasance Collateral to be purchased on behalf of Borrower;

- (F) evidence in writing from the applicable Rating Agencies (as defined in the Security Instrument) to the effect that such release will not result in a qualification, downgrade or withdrawal of any rating in effect immediately prior to such defeasance for any Securities (as defined in the Security Instrument); and
- (G) such other certificates, documents or instruments as Lender may reasonably request.

The Defeasance Deposit shall be used to purchase Defeasance Collateral which provide payments which are (A) payable on or prior to, but as close as possible to, all successive Monthly Payment Dates after the Release Date and the Maturity Date (as accelerated to the Par Date in accordance with the provisions of this paragraph) and (B) in amounts necessary to meet the scheduled payments of principal and interest due under this Note on such dates (the “**Scheduled Defeasance Payments**”). Simultaneously with the delivery of the Defeasance Deposit, the Maturity Date shall be accelerated to the Par Date. Borrower, pursuant to the Pledge Agreement or other appropriate documents, shall authorize and direct that the payments received from the Defeasance Collateral be made directly to Lender and applied to satisfy the obligations of the Borrower under this Note.

(ii) Upon compliance with the requirements of this Section 5(b), the Property shall be released from the lien of the Security Instrument and the pledged Defeasance Deposit and the Defeasance Collateral purchased therewith shall be the sole source of collateral securing this Note. In connection with such release, Lender, or its designee, shall establish or designate a successor entity (the “**Successor Borrower**”) and Borrower shall transfer and assign all obligations, rights and duties under and to this Note together with the pledged Defeasance Deposit and/or Defeasance Collateral to such Successor Borrower. Such Successor Borrower shall assume the obligations of Borrower under this Note and the Pledge Agreement and Borrower and each Guarantor and Indemnitor shall be relieved of their obligations under such Pledge Agreement, the Note, the Security Instrument and the other Loan Documents except for obligations which the Pledge Agreement and/or such Loan Documents provide shall survive the satisfaction of the Security Instrument. Borrower shall pay all costs and expenses incurred by Lender, including Lender’s attorneys’ fees and expenses and Rating Agency fees, if any, incurred in connection with this Section 5(b).

(iii) For purposes hereof, the following terms shall have the following meanings:

(iv) The term “**Defeasance Collateral**” shall mean non-callable and non-redeemable obligations issued, or fully guaranteed as to payment, by the United States of America (including, without limitation, obligations issued or held in book-entry form of the Department of the Treasury and principal-only and interest-only strips that are issued by the United States Treasury, or non-callable and non-redeemable obligations, the principal of and interest on which are unconditionally guaranteed by the United States of America, or the non-callable and non-redeemable obligations of any agency of the United States of America all of whose obligations are unconditionally guaranteed by the United States of America, which mature at least four (4) business days before the related Monthly Payment or the Maturity Date, as applicable), or such other securities as are permitted as of the Release Date by the Code with respect to REMIC Trust collateral substitutions; and

(v) The term “**Defeasance Deposit**” shall mean an amount equal to the sum of (1) the amount which will be sufficient to purchase Defeasance Collateral necessary to meet the Scheduled Defeasance Payments; and (2) any revenue, documentary stamp or intangible taxes or any other tax or charge due in connection with the transfer of this Note or otherwise required to accomplish the agreements of this Section 5(b), all fees, costs and expenses incurred or to be incurred by Lender in the purchase of such Defeasance Collateral and the assumption payments referred to above.

(vi) Following the delivery of the Defeasance Deposit to Lender, Borrower shall not have any right to prepay this Note.

(c) Simultaneously with each Default Repayment (defined herein) occurring prior to the Par Date, Borrower shall pay to Lender an amount equal to the greater of: (A) three (3%) percent of the principal amount of this Note being prepaid (the “**Default Repayment Premium**”) (provided that this clause (A) shall not apply if the Default Repayment occurs after the Prepayment Lockout Date, and, in such case, the Default Repayment Premium shall equal the amount in clause (B)); and (B) the present value as of the date of the Default Repayment (the “**Default Repayment Date**”) of a series of payments each equal to the Default Payment Differential (hereinafter defined) and payable on each Monthly Payment Date over the remaining original term of this Note through and including the Par Date discounted at the Default Reinvestment Yield (hereinafter defined) for the number of months remaining from the Default Repayment Date to each such Monthly Payment Date. The term “**Default Reinvestment Yield**” as used herein shall be equal to the lesser of (a) the (i) yield on the U.S. Treasury issue (primary issue) with the same maturity date as the Par Date; or (ii) if no such U.S. Treasury issue is available, then the interpolated yield on the two U.S. Treasury issues (primary issues) with maturity dates (one prior to and one following) that are closest to the Par Date; or (b) the (i) yield on the U.S. Treasury issue (primary issue) with a term equal to the remaining average life of the Debt (assuming that this Note matures on the Par Date), or (ii) if no such U.S. Treasury issue is available, then the interpolated yield on the two U.S. Treasury issues (primary issues) with terms (one prior to and one following) that are closest to the remaining average life of the Debt (assuming that this Note matures on the Par Date), with each such yield being based on the bid price for such issue as published in The Wall Street Journal on the date that is 14 days prior to the Default Repayment Date (or, if such bid price is not published on that date, the next preceding date on which such bid price is so published) and converted to a monthly compounded nominal yield. The term “**Default Payment Differential**” as used herein shall be equal to (x) the Applicable Interest Rate minus the Default Reinvestment Yield, divided by (y) 12 and multiplied by (z) the principal sum being repaid on such Default Repayment Date after application of the Monthly Payment (if any) due on the date of the Default Repayment, provided that the Payment Differential shall in no event be less than zero. In no event, however, shall Lender be required to reinvest any repayment proceeds in U.S. Treasury obligations or otherwise.

For purposes of this Note, the term “**Default Repayment**” shall mean a repayment of all or any portion of the principal amount of this Note made during the continuance of any Event of Default or after an acceleration of the Maturity Date under any circumstances, including, without limitation, a repayment occurring in connection with reinstatement of the Security Instrument provided by statute under foreclosure proceedings or exercise of a power of sale, any statutory right of redemption exercised by Borrower or any other party having a statutory right to redeem or prevent foreclosure, any sale in foreclosure or under exercise of a power of sale or otherwise.

6. SECURITY

This Note is secured by the Security Instrument and the other Loan Documents. The Security Instrument is intended to be duly recorded in the public records of the county where the Property is located. All of the terms, covenants and conditions contained in the Security Instrument and the other Loan Documents are hereby made part of this Note to the same extent and with the same force as if they were fully set forth herein.

7. SAVINGS CLAUSE

This Note is subject to the express condition that at no time shall Borrower be obligated or required to pay interest on the principal balance due hereunder at a rate which could subject Lender to either civil or criminal liability as a result of being in excess of the maximum interest rate which Borrower is permitted by applicable law to contract or agree to pay. If by the terms of this Note, Borrower is at any time required or obligated to pay interest on the principal balance due hereunder at a rate in excess of such maximum rate, the Applicable Interest Rate or the Default Rate, as the case may be, shall be deemed to be immediately reduced to such maximum rate and all previous payments in excess of the maximum rate shall be deemed to have been payments in reduction of principal and not on account of the interest due hereunder. All sums paid or agreed to be paid to Lender for the use, forbearance, or detention of the Debt, shall, to the extent permitted by applicable law, be amortized, prorated, allocated,

and spread throughout the full stated term of the Note until payment in full so that the rate or amount of interest on account of the Debt does not exceed the maximum lawful rate of interest from time to time in effect and applicable to the Debt for so long as the Debt is outstanding.

8. LATE CHARGE

If any sum payable under this Note is not paid on the date on which it is due, regardless of whether such failure shall constitute an Event of Default, Borrower shall pay to Lender upon demand an amount equal to the lesser of five percent (5%) of the unpaid sum or the maximum amount permitted by applicable law to defray the expenses incurred by Lender in handling and processing the delinquent payment and to compensate Lender for the loss of the use of the delinquent payment and the amount shall be secured by the Security Instrument and the other Loan Documents.

9. NO ORAL CHANGE

This Note may not be modified, amended, waived, extended, changed, discharged or terminated orally or by any act or failure to act on the part of Borrower or Lender, but only by an agreement in writing signed by the party against whom enforcement of any modification, amendment, waiver, extension, change, discharge or termination is sought.

10. JOINT AND SEVERAL LIABILITY

If Borrower consists of more than one person or party, the obligations and liabilities of each person or party shall be joint and several.

11. WAIVERS

All payments required hereunder shall be made irrespective of, and without any deduction for, any setoff, defense or counterclaim. Borrower and all others who may become liable for the payment of all or any part of the Debt do hereby severally waive presentment and demand for payment, notice of dishonor, protest and notice of protest and non-payment and all other notices of any kind, other than notices specifically required by the terms of this Note, the Security Instrument and the other Loan Documents. No release of any security for the Debt or extension of time for payment of this Note or any installment hereof, and no alteration, amendment or waiver of any provision of this Note, the Security Instrument or the other Loan Documents made by agreement between Lender or any other person or party shall release, modify, amend, waive, extend, change, discharge, terminate or affect the liability of Borrower, and any other person or entity who may become liable for the payment of all or any part of the Debt, under this Note, the Security Instrument or the other Loan Documents. No notice to or demand on Borrower shall be deemed to be a waiver of the obligation of Borrower or of the right of Lender to take further action without further notice or demand as provided for in this Note, the Security Instrument or the other Loan Documents. In addition, acceptance by Lender of any payment in an amount less than the amount then due shall be deemed an acceptance on account only, and the failure to pay the entire amount then due shall be and continue to be an Event of Default. If Borrower is a partnership, the agreements herein contained shall remain in force and applicable, notwithstanding any changes in the individuals comprising the partnership, and the term "**Borrower**," as used herein, shall include any alternate or successor partnership, but any predecessor partnership and their partners shall not thereby be released from any liability. If Borrower is a corporation or limited liability company, the agreements contained herein shall remain in full force and applicable notwithstanding any changes in the shareholders or members comprising, or the officers and directors or managers relating to, the corporation or limited liability company, and the term "**Borrower**" as used herein, shall include any alternative or successor corporation or limited liability company, but any predecessor corporation or limited liability company shall not be relieved of liability hereunder. (Nothing in the foregoing sentence shall be construed as a consent to, or a waiver of, any prohibition or restriction on transfers of interests in a partnership, corporation or limited liability company which may be set forth in the Security Instrument or any other Loan Document.)

12. TRANSFER

Upon the transfer of this Note, Borrower hereby waiving notice of any such transfer, Lender may deliver all the collateral mortgaged, granted, pledged or assigned pursuant to the Security Instrument and the other Loan Documents, or any part thereof, to the transferee who shall thereupon become vested with all the rights herein or under applicable law given to Lender with respect thereto, and Lender shall thereafter forever be relieved and fully discharged from any liability or responsibility in the matter; but Lender shall retain all rights hereby given to it with respect to any liabilities and the collateral not so transferred.

13. WAIVER OF TRIAL BY JURY

BORROWER HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, THE RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER IN CONTRACT, TORT OR OTHERWISE, RELATING DIRECTLY OR INDIRECTLY TO THE LOAN, THE APPLICATION FOR THE LOAN, THIS NOTE, THE SECURITY INSTRUMENT OR THE OTHER LOAN DOCUMENTS OR ANY ACTS OR OMISSIONS OF LENDER, ITS OFFICERS, EMPLOYEES, DIRECTORS OR AGENTS IN CONNECTION THEREWITH.

14. EXCULPATION

(a) Except as otherwise provided herein, in the Security Instrument or in the other Loan Documents, Lender shall not enforce the liability and obligation of Borrower to perform and observe the obligations contained in this Note or the Security Instrument by any action or proceeding wherein a money judgment shall be sought against Borrower or its general partners, except that Lender may sell the Property under any power of sale or right of non-judicial foreclosure or bring a foreclosure action, confirmation action, action for specific performance or other appropriate action or proceeding to enable Lender to enforce and realize upon this Note, the Security Instrument, the other Loan Documents, and the interest in the Property, the Rents (as defined in the Security Instrument) and any other collateral given to Lender created by this Note, the Security Instrument and the other Loan Documents; provided, however, that any judgment in any such action or proceeding shall be enforceable against Borrower (but in no event against its general partners) only to the extent of Borrower's interest in the Property, in the Rents and in any other collateral given to Lender. Lender, by accepting this Note and the Security Instrument, agrees that it shall not, except as otherwise provided in Section 10.10 of the Security Instrument, sue for, seek or demand any deficiency judgment against Borrower (or against the general partners of Borrower, without regard to the provisions of Section 10.10 of the Security Instrument) in any such action or proceeding, under or by reason of or under or in connection with this Note, the other Loan Documents or the Security Instrument. The provisions of this Article shall not, however, (i) constitute a waiver, release or impairment of any obligation evidenced or secured by this Note, the other Loan Documents or the Security Instrument; (ii) Intentionally Deleted; (iii) impair the right of Lender to name Borrower (but not its general partners) as a party defendant in any action or suit for judicial foreclosure and sale under the Security Instrument; (iv) affect the validity or enforceability of any indemnity, guaranty, master lease or similar instrument made in connection with this Note, the Security Instrument, or the other Loan Documents; (v) impair the right of Lender to obtain the appointment of a receiver; (vi) impair the enforcement of the Assignment of Leases and Rents executed in connection herewith; (vii) impair the right of Lender to obtain a deficiency judgment or judgment on the Note against Borrower (but not its general partners) if necessary to obtain any insurance proceeds or condemnation awards to which Lender would otherwise be entitled under the Security Instrument; provided however, Lender shall only enforce such judgment against the insurance proceeds and/or condemnation awards; or (viii) impair the right of Lender to enforce the provisions of Sections 10.10, 11.2 and 11.3 of the Security Instrument.

(b) Notwithstanding the provisions of this Article 14 to the contrary, Borrower (but not the general partners of Borrower) shall be personally liable to Lender for the Losses (as defined in the Security Instrument) it incurs due to: (i) fraud or intentional, material misrepresentation by Borrower, SCOLP, or any of their agents, principals, officers or employees, (ii) Borrower's misapplication or

misappropriation of insurance proceeds, condemnation awards, or tenant security deposits, if and to the extent Borrower or its agents have the right and ability to control the disbursement of such proceeds, awards or deposits; (ii) Rents received by Borrower after the occurrence of an Event of Default, provided that such Rents (y) are not applied towards either the Monthly Payment or the ordinary and necessary operating expenses of the Property and Borrower has provided Lender with evidence of same in a form acceptable to Lender, or (z) are paid to Lender, (iii) so long as Borrower has possession and control of the Property, Borrower's failure to pay (except to the extent that sums sufficient to pay such amounts have been deposited in escrow with Lender pursuant to the terms of the Security Instrument) Taxes or other liens with priority over Lender's lien on the Property or other liens established under the Loan Documents, to the extent funds are available from the operation of the Property for such purpose, or from escrow deposits made to Lender for such purpose (regardless of whether Lender uses such funds to pay such Taxes or other liens), (iv) damage to the Property arising from (y) the intentional misconduct or gross negligence of Borrower, SCOLP, or any of their principals, officers, agents or employees, or (z) any removal of the Property in violation of the Loan Documents, or (v) Borrower's or any other Indemnitor's failure to comply with the provisions of the Environmental Indemnity (as defined in the Security Instrument).

(c) Notwithstanding the foregoing, the agreement of Lender not to pursue recourse liability as set forth in Subsection (a) above SHALL BECOME NULL AND VOID and shall be of no further force and effect (i) in the event of Borrower's default under Sections 4.2 or 8.2 of the Security Instrument, or (ii) if the Property or any part thereof shall become an asset in (1) a voluntary bankruptcy or insolvency proceeding, or (2) an involuntary bankruptcy or insolvency proceeding (A) which is commenced by any party controlling, controlled by or under common control with Borrower (which shall include, but not be limited to, any creditor or claimant acting in concert with Borrower or any of the foregoing parties) (the "Borrowing Group") or (B) in which any member of the Borrowing Group objects to a motion by Lender for relief from any stay or injunction from the foreclosure of the Security Instrument or any other remedial action permitted hereunder or under the Security Instrument or the other Loan Documents.

(d) Nothing herein shall be deemed to be a waiver of any right which Lender may have under Sections 506(a), 506(b), 1111(b) or any other provisions of the U.S. Bankruptcy Code to file a claim for the full amount of the Debt or to require that all collateral shall continue to secure all of the Debt owing to Lender in accordance with this Note, the Security Instrument and the other Loan Documents.

15. AUTHORITY

Borrower (and the undersigned representative of Borrower, if any) represents that Borrower has full power, authority and legal right to execute and deliver this Note, the Security Instrument and the other Loan Documents and that this Note, the Security Instrument and the other Loan Documents constitute valid and binding obligations of Borrower.

16. APPLICABLE LAW

This Note shall be governed, construed, applied and enforced in accordance with the laws of the state in which the Property is located and the applicable laws of the United States of America.

17. COUNSEL FEES

In the event that it should become necessary to employ counsel to collect the Debt or to protect or foreclose the security therefor, Borrower also agrees to pay all reasonable fees and expenses of Lender, including, without limitation, reasonable attorney's fees for the services of such counsel whether or not suit be brought.

18. NOTICES

All notices or other written communications hereunder shall be deemed to have been properly given (i) upon delivery, if delivered in person, (ii) one (1) Business Day (defined below) after having

been deposited for overnight delivery with any reputable overnight courier service, or (iii) three (3) Business Days after having been deposited in any post office or mail depository regularly maintained by the U.S. Postal Service and sent by registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

If to Borrower:	Sea Breeze Limited Partnership 27777 Franklin Road, Suite 200 Southfield, Michigan 48034 Attention: Jonathan M. Colman
With a copy to:	Jaffe, Raitt, Heuer & Weiss, P.C. 27777 Franklin Road, Suite 2500 Southfield, Michigan 48034 Attention: Arthur A. Weiss
If to Lender:	Lehman Brothers Bank, FSB 399 Park Avenue, 8th Floor New York, New York 10022 Attention: John Herman
With a copy to:	Stroock & Stroock & Lavan LLP 180 Maiden Lane New York, New York 10038 Attention: William Campbell, Esq.

or addressed as such party may from time to time designate by written notice to the other parties.

Either party by notice to the other may designate additional or different addresses for subsequent notices or communications.

“**Business Day**” shall mean a day upon which commercial banks are not authorized or required by law to close in New York, New York.

19. MISCELLANEOUS

(a) Wherever pursuant to this Note (i) Lender exercises any right given to it to approve or disapprove, (ii) any arrangement or term is to be satisfactory to Lender, or (iii) any other decision or determination is to be made by Lender, the decision of Lender to approve or disapprove, all decisions that arrangements or terms are satisfactory or not satisfactory and all other decisions and determinations made by Lender, shall be in the sole and absolute discretion of Lender and shall be final and conclusive, except as may be otherwise expressly and specifically provided herein.

(b) Whenever used, the singular shall include the plural, the plural shall include the singular, and the words “Lender” and “Borrower” shall include their respective successors, assigns, heirs, executors and administrators.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Borrower has duly executed this Note with the intent that the document be executed and delivered as a sealed instrument, and affixed its seal or adopted as its seal the word "(SEAL)" appearing beside its execution below, all as of the date and year first written above.

BORROWER:

SEA BREEZE LIMITED PARTNERSHIP,
a Delaware limited partnership

By: Sea Breeze GP One LLC, a Michigan limited liability company, its general partner

By: Sun Sea Breeze QRS, Inc., a Michigan corporation, its managing member

By: _____ (SEAL)
Jonathan M. Colman
Executive Vice President

STATE OF _____)
)ss:
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 2006 by Jonathan M. Colman, as Executive Vice President of Sun Sea Breeze QRS, Inc., a Michigan corporation, as managing member of Sea Breeze GP One LLC, a Michigan limited liability company, as general partner of **SEA BREEZE LIMITED PARTNERSHIP**, a Delaware limited partnership, on behalf of said corporation, limited liability company and limited partnership. He is personally known to me or has produced a _____ as identification.

Print Name: _____
Title: _____
Commission No. _____

(if any)

My Commission Expires: _____

Tax Parcel Number:

Prepared by and Return to:

Stroock & Stroock & Lavan LLP
3100 Wachovia Financial Center
200 South Biscayne Boulevard
Miami, Florida 33131-2385
Attn: Albert J. Delgado, Esq.

SEA BREEZE LIMITED PARTNERSHIP, as mortgagor
(Borrower)

To

LEHMAN BROTHERS BANK, FSB, as mortgagee
(Lender)

**MORTGAGE
AND SECURITY AGREEMENT**

Dated: January 5, 2007
Location: Rehoboth Beach, Delaware
County: Sussex

UPON RECORDATION RETURN TO:

Stroock & Stroock & Lavan LLP
3100 Wachovia Financial Center
200 South Biscayne Boulevard
Miami, Florida 33131-5323
Attention: Albert J. Delgado

THIS MORTGAGE AND SECURITY AGREEMENT (this "Security Instrument") is made as of the 5th day of January, 2007, by **SEA BREEZE LIMITED PARTNERSHIP**, a Delaware limited partnership, having its principal place of business at 27777 Franklin Road, Suite 200, Southfield, Michigan 48034, as mortgagor ("Borrower") to **LEHMAN BROTHERS BANK, FSB**, a federal stock savings bank, having an address at 1000 West Street, Suite 200, Wilmington, Delaware 19801, as mortgagee ("Lender").

RECITALS:

Borrower by its promissory note of even date herewith given to Lender is indebted to Lender in the principal sum of **TWENTY MILLION AND 00/100 DOLLARS (\$20,000,000.00)** in lawful money of the United States of America (the note together with all extensions, renewals, modifications, substitutions and amendments thereof shall collectively be referred to as the "Note"), with interest from the date thereof at the rates set forth in the Note, principal and interest to be payable in accordance with the terms and conditions provided in the Note. The Maturity Date of the Note is January 11, 2017.

Borrower desires to secure the payment and performance of the Obligations (as defined in Section 2.1 hereof).

1 - GRANTS OF SECURITY

1.1 **PROPERTY MORTGAGED.** Borrower does hereby irrevocably mortgage, grant, bargain, sell, pledge, assign, warrant, transfer and convey to Lender, and grant a security interest to Lender in, the following property, rights, interests and estates to the extent the same are now owned, or hereafter acquired by Borrower (collectively, the "Property"): (a) the real property described in Exhibit A attached hereto and made a part hereof (the "Land"); (b) all additional lands, estates and development rights hereafter acquired by Borrower for use in connection with the Land and the development of the Land and all additional lands and estates therein which may, from time to time, by supplemental mortgage or otherwise be expressly made subject to the lien of this Security Instrument; (c) the buildings, structures, fixtures, additions, enlargements, extensions, modifications, repairs, replacements and improvements now or hereafter erected or located on the Land, but excluding the manufactured homes located thereon (the "Improvements"); (d) all easements, rights-of-way or use, rights, strips and gores of land, streets, ways, alleys, passages, sewer rights, water, water courses, water rights and powers, air rights and development rights, and all estates, rights, titles, interests, privileges, liberties, servitudes, tenements, hereditaments and appurtenances of any nature whatsoever, in any way now or hereafter belonging, relating or pertaining to the Land and the Improvements and the reversion and reversions, remainder and remainders, and all land lying in the bed of any street, road or avenue, opened or proposed, in front of or adjoining the Land, to the center line thereof and all the estates, rights, titles, interests, dower and rights of dower, curtesy and rights of curtesy, property, possession, claim and demand whatsoever, both at law and in equity, of Borrower of, in and to the Land and the Improvements and every part and parcel thereof, with the appurtenances thereto; (e) all furnishings, machinery, equipment, fixtures (including, but not limited to, all heating, air conditioning, plumbing, lighting, communications and elevator fixtures) and other property of every kind and nature whatsoever owned by Borrower, or in which Borrower has or shall have an interest, now or hereafter located upon the Land and the Improvements, or appurtenant thereto, and usable in connection with the present or future operation and occupancy of the Land and the Improvements and all building equipment, materials and supplies of any nature whatsoever owned by Borrower, or in which Borrower has or shall have an interest, now or hereafter located upon the Land and the Improvements, or appurtenant thereto, or usable in connection with the present or future operation and occupancy of the Land and the Improvements (collectively, the "Personal Property"), and the right, title and interest of Borrower in and to any of the Personal Property which may be subject to any security interests, as defined in the Uniform Commercial Code, as adopted and enacted by the state or states where any of the Property is located (the "Uniform Commercial Code"), superior in lien to the lien of this Security Instrument and all proceeds and products of the above; (f) all leases and other agreements affecting the use, enjoyment or occupancy of the Land and the Improvements heretofore or hereafter entered into, whether before or after the filing by or against Borrower of any petition for relief under 11 U.S.C. § 101 et seq., as the same may be amended from time to time (the "Bankruptcy Code") (the "Leases") and all right, title and interest of Borrower, its successors and assigns therein and thereunder, including, without limitation, cash or securities deposited thereunder to secure the performance by the lessees of their obligations thereunder and all rents, additional rents, revenues (including, but not limited to, any payments made by tenants under the Leases in connection with the

termination of any Lease), issues and profits (including all oil and gas or other mineral royalties and bonuses) from the Land and the Improvements whether paid or accruing before or after the filing by or against Borrower of any petition for relief under the Bankruptcy Code (the "Rents") and all proceeds from the sale or other disposition of the Leases and the right to receive and apply the Rents to the payment of the Debt (as hereinafter defined); (g) any and all lease guaranties, letters of credit and any other credit support (collectively, the "Lease Guaranties") given by any guarantor in connection with any of the Leases (individually, a "Lease Guarantor" and collectively, the "Lease Guarantors"); (h) all rights, powers, privileges, options and other benefits of Borrower as lessor under the Leases and beneficiary under all Lease Guaranties; (i) all awards or payments, including interest thereon, which may heretofore and hereafter be made with respect to the Property, whether from the exercise of the right of eminent domain (including but not limited to any transfer made in lieu of or in anticipation of the exercise of the right), or for a change of grade, or for any other injury to or decrease in the value of the Property; (j) all proceeds of and any unearned premiums on any insurance policies covering the Property, including, without limitation, the right to receive and apply the proceeds of any insurance, judgments, or settlements made in lieu thereof, for damage to the Property; (k) all refunds, rebates or credits in connection with a reduction in real estate taxes and assessments charged against the Property as a result of tax certiorari or any applications or proceedings for reduction; (l) all proceeds of the conversion, voluntary or involuntary, of any of the foregoing including, without limitation, proceeds of insurance and condemnation awards, into cash or liquidation claims; (m) the right, in the name and on behalf of Borrower, to appear in and defend any action or proceeding brought with respect to the Property and to commence any action or proceeding to protect the interest of Lender in the Property; (n) to the extent assignment thereof is legally permissible, all agreements, contracts, certificates, instruments, franchises, permits, licenses, plans, specifications and other documents, now or hereafter entered into, and all rights therein and thereto, respecting or pertaining to the use, occupation, construction, management or operation of the Land and any part thereof and any Improvements or respecting any business or activity conducted on the Land and any part thereof and all right, title and interest of Borrower therein and thereunder, including, without limitation, the right, upon the happening of any default hereunder, to receive and collect any sums payable to Borrower thereunder; (o) all tradenames, trademarks, servicemarks, logos, copyrights, goodwill, books and records and all other general intangibles relating to or used in connection with the operation of the Property; and (p) any and all other rights of Borrower in and to the items set forth in Subsections (a) through (o) above.

1.2 ASSIGNMENT OF RENTS. Borrower hereby absolutely and unconditionally assigns to Lender Borrower's right, title and interest in and to all current and future Leases and Rents; it being intended by Borrower that this assignment constitutes a present, absolute assignment and not an assignment for additional security only. Nevertheless, subject to the terms of this Section 1.2 and Section 3.6, Lender grants to Borrower a revocable license to collect and receive the Rents, which license shall be automatically revoked upon the occurrence of an Event of Default (as hereinafter defined). Borrower shall hold the Rents, or a portion thereof sufficient to discharge all current sums due on the Debt, for use in the payment of such sums. This Security Instrument is intended to assign Rents and Leases pursuant to Del. C. § 2121.

1.3 SECURITY AGREEMENT. This Security Instrument is both a real property mortgage and a "security agreement" within the meaning of the Uniform Commercial Code. The Property includes both real and personal property and all other rights and interests, whether tangible or intangible in nature, of Borrower in the Property. By executing and delivering this Security Instrument, Borrower hereby grants to Lender, as security for the Obligations, a security interest in the Property to the full extent that the Property may be subject to the Uniform Commercial Code.

1.4 PLEDGE OF MONIES HELD. Borrower hereby pledges to Lender any and all monies now or hereafter held by Lender, including, without limitation, any sums deposited in the Escrow Fund (as defined in Section 3.4), the Deferred Maintenance Deposit (as defined on Exhibit B attached hereto and made a part hereof), the Reserve (as defined on Exhibit B), Net Proceeds (as defined in Section 4.3(b)), and condemnation awards or payments described in Section 3.5 (collectively, "Deposits"), as additional security for the Obligations until expended or applied as provided in this Security Instrument.

CONDITIONS TO GRANT

TO HAVE AND TO HOLD the above granted and described Property unto and to the use and benefit of Lender, and the successors and assigns of Lender, forever;

PROVIDED, HOWEVER, these presents are upon the express condition that, if Borrower shall well and truly pay to Lender the Debt at the time and in the manner provided in the Note and this Security Instrument, shall well and truly perform the Other Obligations (as defined in Section 2.1 hereof) as set forth in this Security Instrument and shall well and truly abide by and comply, in all material respects, with each and every covenant and condition set forth herein and in the Note, these presents and the estate hereby granted shall cease, terminate and be void.

2 - DEBT AND OBLIGATIONS SECURED

2.1 **DEBT AND OBLIGATIONS SECURED.** This Security Instrument and the grants, assignments and transfers made in Article 1 are given for the purpose of securing the payment of the Debt and the performance of the Other Obligations, in such order of priority as Lender may determine in its sole discretion. For purposes hereof, the term "Debt" shall mean the aggregate of the indebtedness evidenced by the Note in lawful money of the United States of America, interest, default interest, late charges, prepayment premiums and other sums, as provided in the Note, this Security Instrument or the other Loan Documents (defined below), all other moneys agreed or provided to be paid by Borrower in the Note, this Security Instrument or the other Loan Documents and all sums advanced pursuant to this Security Instrument to protect and preserve the Property and the lien and the security interest created hereby. For purposes hereof, the term "Other Obligations" shall mean the obligations of Borrower (other than the obligation to repay the Debt) contained in this Security Instrument, the Note and the other Loan Documents (as hereinafter defined). For purposes hereof, the term "Loan Documents" shall mean the Note, this Security Instrument and any other documents or instruments which now or shall hereafter wholly or partially secure or guarantee payment of the Note or which have otherwise been executed or are hereafter executed by Borrower and/or any other person or entity in connection with the loan (the "Loan") evidenced by the Note and any renewal, extension, amendment, modification, consolidation, change of, or substitution or replacement for, all or any part thereof. Borrower's obligations for the payment of the Debt and the performance of the Other Obligations shall be referred to collectively below as the "Obligations." All the covenants, conditions and agreements contained in the Note and the other Loan Documents are hereby made a part of this Security Instrument to the same extent and with the same force as if fully set forth herein. Anything to the contrary herein or in any other Loan Document notwithstanding, the obligations of any person (hereinafter, a "Guarantor" or "Indemnitor") under any separate guaranty or indemnity accepted by Lender, including but not limited to any guaranty of recourse obligations given to Lender as of even date herewith, shall not be secured by this Security Instrument, any separate assignment of leases or assignment of rents, or any other lien encumbering the Property; provided however that the obligations of Borrower under the Environmental Indemnity Agreement (as hereinafter defined) and under any separate indemnity of Borrower shall be so secured, subject to the rights of Lender to proceed on an unsecured basis thereunder pursuant to applicable law.

3 - BORROWER COVENANTS

Borrower covenants and agrees that:

3.1 **PAYMENT OF DEBT.** Borrower will pay the Debt at the time and in the manner provided in the Note, this Security Instrument and the other Loan Documents.

3.2 **INSURANCE.**

(a) Borrower shall obtain and maintain, or cause to be maintained, insurance for Borrower and the Property providing at least the coverages set forth herein:

(i) property insurance (written on the Special cause of Loss form or its equivalent) on the Improvements and the Personal Property, in each case (A) in an amount equal to 100% of the actual replacement value (exclusive of costs of excavations, foundations, underground utilities and footings) with a waiver of depreciation; (B) containing either an agreed amount endorsement or a waiver of all co-insurance provisions; and (C) providing for a deductible of not greater than \$50,000. If any portion of the Improvements is currently or at any time in the future located in a federally designated "special flood hazard area", Borrower shall obtain flood hazard insurance in such an amount as Lender shall require, but in no event less than the maximum amount of such insurance available under the National Flood

Insurance Act of 1968, the Flood Disaster Protection Act of 1973 or the National Flood Insurance Reform Act of 1994, as each may be amended. In addition, in the event the Property is located in the State of California or in a "seismic zone" 3 or 4 (as defined in the Uniform Building Code published by the International Conference of Building Officials), Borrower shall obtain earthquake insurance in amounts and in form and substance satisfactory to Lender;

(ii) commercial general liability insurance against claims for personal injury, bodily injury, death or property damage occurring upon, in or about the Property, such insurance (A) to be on the "occurrence" form with a combined single limit (including "umbrella" coverage in place) of not less than (1) \$3,000,000 and a general aggregate limit of not less than \$4,000,000; or (2) if any of the Improvements contain elevators, a combined single limit of not less than \$5,000,000 and a general aggregate limit of \$6,000,000 and (B) to cover at least the following hazards: (1) premises and operations; (2) products and completed operations on an "if any" basis; (3) independent contractors; and (4) blanket contractual liability for all written and oral contracts, to the extent the same is available;

(iii) loss of rents insurance (A) with loss payable to Lender; (B) covering all risks required to be covered by the insurance provided for in Subsection 3.2(a)(i); and (C) on an agreed value actual loss sustained basis in an amount equal to 100% of the projected gross income from the Property for a period of twelve (12) months. The amount of such business income insurance shall be determined prior to the date hereof and at least once each year thereafter based on Borrower's reasonable estimate of the gross income from the Property for the succeeding twelve (12) month period. From and after the occurrence of an Event of Default, all insurance proceeds payable to Lender pursuant to this Subsection shall be held by Lender and shall be applied to the obligations secured hereunder from time to time due and payable hereunder and under the Note; provided, however, that nothing herein contained shall be deemed to relieve Borrower of its obligations to pay the obligations secured hereunder on the respective dates of payment provided for in the Note except to the extent such amounts are actually paid out of the proceeds of such loss of rents insurance;

(iv) at all times during which structural construction, material repairs or alterations are being made with respect to the Improvements, owner's contingent or protective liability insurance covering claims not covered by or under the terms or provisions of the above mentioned commercial general liability insurance policy;

(v) if Borrower has employees, workers' compensation, subject to the statutory limits of the state in which the Property is located, and employer's liability insurance with a limit of at least \$1,000,000 per accident and per disease per employee, and \$1,000,000 aggregate coverage for disease in respect of any work or operations on or about the Property, or in connection with the Property or its operation;

(vi) if the Property contains HVAC or other equipment not covered by the comprehensive all risk insurance, comprehensive boiler and machinery insurance, in amounts as shall be reasonably required by Lender;

(vii) if Borrower owns or operates motor vehicles, motor vehicle liability coverage for all owned and non-owned vehicles, including rented and leased vehicles containing minimum limits reasonably acceptable to Lender; and

(viii) such other insurance and in such amounts as Lender from time to time may reasonably request against such other insurable hazards which at the time are commonly insured against for property similar to the Property located in or around the region in which the Property is located (excluding coverage against acts of terrorism), provided that the same is commercially available at commercially reasonable rates.

(b) All insurance provided for in Subsection 3.2(a) hereof shall be obtained under valid and enforceable policies (the "Policies" or in the singular, the "Policy") issued by one or more Qualified Insurers (as hereinafter defined), provided that if insurance from a Qualified Insurer is not commercially available, Borrower

shall be permitted to obtain such insurance from an "insurer of last resort" approved, authorized or licensed to provide insurance in the state in which the Property is located. Such insurance shall be written on customary forms for the coverages required hereby and, except as otherwise expressly required by the provisions of this Section 3.2, may provide for commercially reasonable policy limits and sub-limits and normal and customary exclusions, exceptions and deductibles. Whether or not covered by the express terms of any Policy, Borrower shall not decline, elect not to accept, allow to lapse or fail to pay the required premium for any insurance coverage required to be extended or offered by any insurer by applicable law, rule or regulation without Lender's prior written consent. For purposes hereof, a "Qualified Insurer" shall mean an insurance company approved, authorized or licensed to provide insurance in the state in which the Property is located and have a rating of "A" or better for claims paying ability assigned by Moody's Investors Service, Inc. and Standard & Poor's Rating Group or a general policy rating of "A-" or better and a financial class of VIII or better assigned by A.M. Best Company, Inc.

(c) Borrower shall not obtain (i) any umbrella or blanket liability or casualty Policy unless, in each case, Lender's interest is included therein as provided in this Security Instrument and such Policy is issued by a Qualified Insurer, or (ii) separate insurance concurrent in form or contributing in the event of loss with that required in Subsection 3.2(a) to be furnished by, or which may be reasonably required to be furnished by, Borrower. In the event Borrower obtains separate insurance or an umbrella or a blanket Policy, Borrower shall notify Lender of the same and shall cause certified copies of each Policy to be delivered as required in Subsection 3.2(e). Any blanket insurance Policy shall specifically allocate to the Property the amount of coverage from time to time required hereunder or shall otherwise provide the same protection as would a separate Policy insuring only the Property in compliance with the provisions of Subsection 3.2(a).

(d) All Policies of insurance provided for or contemplated by Subsection 3.2(a), except for the Policy referenced in Subsection 3.2(a)(v), shall name Lender and Borrower as the insured or additional insured, as their respective interests may appear, and in the case of property damage, boiler and machinery, flood and earthquake insurance, shall contain a "mortgagee clause" in form acceptable to Lender providing, among other things, that Lender shall receive at least thirty (30) days prior written notification of any termination, cancellation or reduction of insurance and that the loss thereunder shall be payable to Lender.

(e) If not previously delivered to Lender, Borrower shall deliver to Lender no later than thirty (30) days after the date hereof certified copies of the existing Policies providing the insurance coverage required under Section 3.2(a) marked "premium paid" or accompanied by evidence satisfactory to Lender of payment of the premiums due thereunder (the "Insurance Premiums") monthly, quarterly or annually, as the case may be, in accordance with the requirements for payment contained in the Policies. In addition, prior to the expiration dates of the Policies which Borrower is now or hereafter required to maintain hereunder, Borrower shall deliver to Lender certificates of insurance on Accord Forms 25 and 27 (or such forms as may be required by the Rating Agencies) for the new or renewal Policies (accompanied by evidence reasonably satisfactory to Lender of payment of the monthly, quarterly or annual Insurance Premiums that shall have become due thereunder), setting forth, among other things, the amounts of insurance maintained, the risks covered by such insurance and the insurance company or companies which carry such insurance. Borrower shall deliver certified copies of the new or renewal Policies (including any blanket or umbrella Policy) Borrower is required to maintain under this Section 3.2 within the later of (1) thirty (30) days of Lender's request and (2) upon such certified copies of the new or renewal Policies being available for delivery by the applicable insurer(s). In addition, if requested by Lender, Borrower shall furnish verification of the adequacy of such insurance by an independent insurance broker or appraiser acceptable to Lender. Under no circumstances shall Borrower be permitted to finance the payment of any portion of the Insurance Premiums.

(f) If at any time Lender is not in receipt of written evidence that all insurance required hereunder is in full force and effect, Lender shall have the right, without notice to Borrower to take such action as Lender deems necessary to protect its interest in the Property, including, without limitation, the obtaining of such insurance coverage as Lender in its sole discretion deems appropriate, and all expenses incurred by Lender in connection with such action or in obtaining such insurance and keeping it in effect shall be paid by Borrower to Lender upon demand and until paid shall be secured by this Security Instrument and shall bear interest in accordance with Section 10.3 hereof.

(g) If the Property shall be damaged or destroyed, in whole or in part, by fire or other casualty, Borrower shall give prompt notice of such damage to Lender, if the cost of repairing such damage is in excess of \$100,000, and shall promptly commence and diligently prosecute the completion of the repair and restoration of the Property as nearly as possible to the condition the Property was in immediately prior to such fire or other casualty, with such alterations as may be approved by Lender (the "Restoration") and otherwise in accordance with Section 4.3 of this Security Instrument, except in instances where Lender has failed or elected not to disburse Net Proceeds to Borrower under such Section 4.3 (provided that such exception shall not apply if the failure to disburse is attributable to Borrower's failure to comply with the conditions set forth in Clauses (A), (D) or (I) of Subsection 4.3(b)(i) or in Subsection 4.3(b)(ii) or any other conditions set forth in Section 4.3 which Borrower has the practical ability to satisfy). Lender may, but shall not be obligated to make proof of loss if not made promptly by Borrower.

(h) In the event of foreclosure of this Security Instrument, or other transfer of title to the Property in extinguishment in whole or in part of the Debt, all right, title and interest of Borrower in and to such policies then in force concerning the Property and all proceeds payable thereunder shall thereupon vest in the purchaser at such foreclosure or Lender or other transferee in the event of such other transfer of title.

3.3 PAYMENT OF TAXES, ETC. Borrower shall pay all taxes, assessments, water rates, sewer rents, governmental impositions, and other charges, now or hereafter levied or assessed or imposed against the Property or any part thereof (the "Taxes"), all ground rents, maintenance charges and similar charges, now or hereafter levied or assessed or imposed against the Property or any part thereof (the "Other Charges"), and all charges for utility services provided to the Property prior to the time the same become delinquent. Borrower will deliver to Lender, promptly upon Lender's request, evidence satisfactory to Lender that the Taxes, Other Charges and utility service charges have been so paid or are not then delinquent. Borrower shall not suffer and shall promptly cause to be paid and discharged any lien or charge whatsoever which may be or become a lien or charge against the Property. Except to the extent sums sufficient to pay all Taxes and Other Charges have been deposited with Lender in accordance with the terms of this Security Instrument, Borrower shall furnish to Lender paid receipts for the payment of the Taxes and Other Charges prior to the date the same shall become delinquent.

3.4 RESERVES. (a) Borrower shall pay to Lender on each date that a regularly scheduled payment of interest is due under the Note one-twelfth of an amount which would be sufficient to pay the Taxes payable, or estimated by Lender to be payable, during the next ensuing twelve (12) months (the amounts above shall be called the "Escrow Fund"). Borrower agrees to notify Lender immediately of any changes to the amounts, schedules and instructions for payment of any Taxes of which it has obtained knowledge and authorizes Lender or its agent to obtain the bills for Taxes and Other Charges directly from the appropriate taxing authority. The Escrow Fund and the payments of interest payable pursuant to the Note shall be added together and shall be paid as an aggregate sum by Borrower to Lender. Lender will apply the Escrow Fund to payments of Taxes required to be made by Borrower pursuant to Section 3.2 hereof. If the amount of the Escrow Fund shall exceed the amounts due for Taxes pursuant to Section 3.2 hereof, Lender shall, in its discretion, return any excess to Borrower or credit such excess against future payments to be made to the Escrow Fund. In allocating such excess, Lender may deal with the person shown on the records of Lender to be the owner of the Property. If the Escrow Fund is not sufficient to pay the items set forth in (a) and (b) above, Borrower shall promptly pay to Lender, upon demand, an amount which Lender shall estimate as sufficient to make up the deficiency. The Escrow Fund shall not constitute a trust fund and may be commingled with other monies held by Lender. No earnings or interest on the Escrow Fund shall be payable to Borrower.

(b) Borrower shall comply with the Replacement and Leasing Reserve Requirements set forth on Exhibit "B" attached hereto and made a part hereof.

(c) Borrower shall have the right to deliver a Letter of Credit in lieu of making payments to the Escrow Fund for the purposes of paying the Taxes subject to the terms and conditions set forth on Exhibit "C" hereto. If Borrower delivers a Letter of Credit, Lender shall have no obligation to apply the Escrow Fund or any proceeds of the Letter of Credit to the payment of the Taxes.

3.5 CONDEMNATION. Borrower shall promptly give Lender notice of the actual or threatened commencement of any condemnation or eminent domain proceeding and shall deliver to Lender copies of any and

all papers served in connection with such proceedings. Lender may participate in any such proceedings, and Borrower shall from time to time deliver to Lender all instruments requested by it to permit such participation. Borrower shall, at its expense, diligently prosecute any such proceedings, and shall consult with Lender, its attorneys and experts, and cooperate with them in the carrying on or defense of any such proceedings. Notwithstanding any taking by any public or quasi-public authority through eminent domain or otherwise (including but not limited to any transfer made in lieu of or in anticipation of the exercise of such taking), Borrower shall continue to pay the Debt at the time and in the manner provided for its payment in the Note and in this Security Instrument and the Debt shall not be reduced until any award or payment therefor shall have been actually received and applied by Lender, after the deduction of expenses of collection, to the reduction or discharge of the Debt. Lender shall not be limited to the interest paid on the award by the condemning authority but shall be entitled to receive out of the award interest at the rate or rates provided herein or in the Note. If the Property or any portion thereof is taken by a condemning authority, Borrower shall promptly commence and diligently prosecute the Restoration of the Property and otherwise comply with the provisions of Section 4.3 of this Security Instrument, except in instances where Lender has failed or elected not to disburse Net Proceeds to Borrower under such Section 4.3 (provided that such exception shall not apply if the failure to disburse is attributable to Borrower's failure to comply with the conditions set forth in Clauses (A), (D) or (I) of Subsection 4.3(b)(i) or in Subsection 4.3(b)(ii) or any other conditions set forth in Section 4.3 which Borrower has the practical ability to satisfy). If the Property is sold, through foreclosure or otherwise, prior to the receipt by Lender of the award or payment, Lender shall have the right, whether or not a deficiency judgment on the Note shall have been sought, recovered or denied, to receive the award or payment, or a portion thereof sufficient to pay the Debt.

3.6 LEASES AND RENTS.

(a) Except as otherwise consented to by Lender, all Leases shall be written on a standard form of lease for the Property which shall have been submitted to Lender in connection with the origination of the Loan or otherwise approved by Lender. Upon request, Borrower shall furnish Lender with executed copies of all Leases. Except as required by changes in law or agreements with any association formed by the homeowners association for the Property established for the benefit of the pad site lessees and owners or lessees of manufactured homes to be placed thereon, provided that in no event shall any such agreements have a Material Adverse Effect (as hereinafter defined), no material changes may be made to the Lender-approved standard lease without the prior written consent of Lender, which approval shall not be unreasonably withheld or delayed. In addition, all renewals of Leases and all proposed leases shall be on arms length terms, shall provide for market rents then prevailing in the market area of the Property or as reasonably determined by Borrower in a manner consistent with prudent business practices of owners of similar properties and shall provide for free rent only if the same is consistent with prevailing market conditions; provided, however, (x) Borrower shall be permitted to offer leasing incentive consistent with its ordinary business and marketing practices and those of its affiliates, and (y) Borrower shall be permitted to allow month-to-month tenancies without obtaining written Lease renewals following the expiration of a Lease with an initial term of not less than six (6) months. Subject to the restrictions contained in this Section 3.6(a), Borrower shall be permitted to lease sites at the Property to Sun Home Services, Inc. ("SHS"), an affiliate of Borrower, as well as other dealers of manufactured homes, so that SHS and such other dealers may place manufactured homes on such sites and enter into residential lease agreements pursuant to which tenants shall lease such manufactured homes, and sublease such sites, from SHS or such other dealers; provided, however, SHS and such other dealers shall be permitted to terminate any of its leases with Borrower if the tenants of SHS or such other dealers default under their leases with SHS or such other dealers. All proposed commercial Leases and renewals of existing Leases for commercial space shall be subject to the prior approval of Lender and its counsel, at Borrower's expense. All Leases shall provide that they are subordinate to this Security Instrument and that the lessee agrees to attorn to Lender. For purposes hereof, the term "Material Adverse Effect" shall mean a material adverse effect upon the current use or operation of the Property as a mobile home park, the management of the Property in a manner consistent with industry standards for similar properties, the rent generated from the Property, or the ability of Lender to enforce the terms of the Loan Documents.

(b) Borrower (i) shall observe and perform all the obligations imposed upon the lessor under the Leases and shall not do or permit to be done anything to impair the value of the Leases as security for the Obligations; (ii) shall enforce all of the terms, covenants and conditions contained in the Leases upon the part of the lessee thereunder to be observed or performed, short of termination thereof; provided however, a residential Lease may be terminated in the event of a default by the tenant thereunder; (iii) shall not collect any of the Rents

more than one (1) month in advance; (iv) shall not execute any other assignment of the lessor's interest in the Leases or the Rents; and (v) shall not consent to any assignment of or subletting under the Leases without the prior written consent of Lender, except in accordance with the terms of such Leases or otherwise in the ordinary course of business.

(c) Notwithstanding the provisions of Subsection 3.6(a) above, renewals of existing commercial Leases and proposed leases for commercial space covering less than ten percent (10%) of the total rentable space for the Property and accounting for rental income which in the aggregate is less than ten percent (10%) of the total rental income for the Property shall not be subject to the prior approval of Lender provided that (i) the renewal Lease or proposed lease shall have a lease term not to exceed ten (10) years including options to renew, (ii) the renewal Lease or proposed lease shall provide for rental rates and terms comparable to existing local market rates and terms, and (iii) the renewal Lease or proposed lease shall be an arms-length transaction with a bona fide, independent third party tenant. Borrower shall deliver to Lender copies of all Leases which are entered into pursuant to the preceding sentence together with Borrower's certification that it has satisfied all of the conditions of the preceding sentence within thirty (30) days after the execution of the Lease.

3.7 **MAINTENANCE OF PROPERTY.** Borrower shall cause the Property to be maintained in a good and safe condition and repair. The Improvements and the Personal Property shall not be removed, demolished or materially altered (except for normal replacement of the Personal Property and tenant improvements made in connection with a Lease which has been entered into by Borrower in accordance with the terms hereof and other capital improvements made in the ordinary course of business of operating a mobile home park) without the consent of Lender. Subject to the provisions of Subsection 3.2(g) and Section 3.5, Borrower shall promptly cause the repair, replacement or rebuilding of any part of the Property which may be destroyed by any casualty, or become damaged, worn or dilapidated or which may be affected by any proceeding of the character referred to in Section 3.5 hereof. Borrower shall not initiate, join in, acquiesce in, or consent to any change in any private restrictive covenant, zoning law or other public or private restriction, limiting or defining the uses which may be made of the Property or any part thereof. If under applicable zoning provisions the use of all or any portion of the Property is or shall become a nonconforming use, Borrower will not cause or permit the nonconforming use to be discontinued or abandoned without the express written consent of Lender which consent shall not be unreasonably withheld or delayed.

3.8 **WASTE.** Borrower shall not commit or suffer any waste of the Property or make any change in the use of the Property which will in any way materially increase the risk of fire or other hazard arising out of the operation of the Property, or take any action that might invalidate or give cause for cancellation of any Policy, or do or permit to be done thereon anything that may in any way materially impair the value of the Property or the security of this Security Instrument.

3.9 **COMPLIANCE WITH LAWS.** Borrower shall (i) promptly comply in all material respects with all existing and future federal, state and local laws, orders, ordinances, governmental rules and regulations or court orders affecting the Property, or the use thereof including, but not limited to, the Americans with Disabilities Act ("ADA") (collectively, the "Applicable Laws"), (ii) from time to time, upon Lender's request, provide Lender with evidence satisfactory to Lender that the Property complies in all material respects with all Applicable Laws or is exempt from compliance with Applicable Laws, (iii) give prompt notice to Lender of the receipt by Borrower of any notice related to a violation of any Applicable Laws and of the commencement of any proceedings or investigations which relate to compliance with Applicable Laws, and (iv) take appropriate measures to prevent and will not engage in or knowingly permit any illegal activities at the Property.

3.10 **BOOKS AND RECORDS.** (a) Borrower shall keep adequate books and records of account in accordance with methods of accounting reasonably acceptable to Lender and furnish to Lender:

(i) quarterly operating statements of the Property, prepared and certified by Borrower in substantially the same form as the operating statements delivered to Lender in connection with the closing of the Loan, detailing the revenues received, the expenses incurred and the net operating income before and after debt service (principal and interest) and major capital improvements for that quarter and containing appropriate year to date information within sixty (60) days after the end of each fiscal quarter;

(ii) certified rent rolls for the last month of each fiscal quarter signed and dated by Borrower, detailing the names of all tenants of the Improvements, the portion of Improvements occupied by each tenant, the rent and any other charges payable under each Lease and the term of each Lease, including the expiration date, and any other information as is reasonably required by Lender, within sixty (60) days after the end of each fiscal quarter;

(iii) an annual operating statement of the Property detailing the total revenues received, total expenses incurred, total cost of all capital improvements, total debt service and total cash flow, to be prepared and certified by Borrower in substantially the same form as the annual operating statements delivered to Lender in connection with the closing of the Loan, within ninety (90) days after the close of each fiscal year of Borrower and if available, any operating statements prepared by an independent certified public accountant within thirty (30) days of the date the same are made available to Borrower, and

(iv) an annual balance sheet and profit and loss statement of Borrower in substantially the same form as the balance sheet and profit and loss statement delivered to Lender in connection with the closing of the Loan, to be prepared and certified by Borrower within ninety (90) days after the close of each fiscal year of Borrower, and, if available, any financial statement prepared by an independent certified public accountant with respect to Borrower within thirty (30) days of the date the same are made available to any such persons.

(b) Upon Lender's request, Borrower shall cause each Guarantor and each Indemnitor to furnish to Lender no later than ninety (90) days after the end of the fiscal year for the applicable Guarantor or Indemnitor a financial statement for said fiscal year certified to Lender and prepared on a form reasonably acceptable to Lender. Notwithstanding anything to the contrary contained herein, Borrower shall not be required to furnish the financial information described in clause (a)(iii) or (a)(iv) above or this clause (b) so long as (A) Sun Communities Operating Limited Partnership, a Maryland corporation ("SCOLP") and Sun Communities, Inc., a Michigan corporation (the "Sponsor"), directly or indirectly, own all of the ownership interests in Borrower, (B) Sponsor remains as SCOLP's general partner and a publicly traded company and (C) the financial information required pursuant to clause (a)(iii), (a)(iv) and this clause (b) is available in public reports filed by the Sponsor in accordance with the requirements of applicable federal and State securities laws.

(c) Borrower, its affiliates, any Guarantor and any Indemnitor shall furnish Lender with such other additional financial or management information as may, from time to time, be reasonably required by Lender in form and substance reasonably satisfactory to Lender. Lender may commission new or updated appraisals, phase I and phase II environmental reports, property condition surveys and (if the Property is located in an area with a high degree of seismic activity) seismic risk assessments of the Property to be prepared by third parties (each a "Third Party") designated by Lender after the date hereof (each, a "Third Party Report"). Borrower shall cooperate with each Third Party and Lender in the preparation of the Third Party Reports and shall reimburse Lender within ten (10) days of Lender's demand for all costs incurred by Lender in connection with any of such Third Party Reports commissioned after the occurrence of an Event of Default and any environmental report commissioned as the result of Lender's determination that Hazardous Substances (as defined in the Environmental Indemnity) may have been introduced to the Property and/or a violation of Environmental Law may have occurred with respect to the Property. Any such reports commissioned by Lender shall be made available to Guarantors and may be relied upon by them to the extent permitted by the contractors furnishing such Third Party Reports.

3.11 PAYMENT FOR LABOR AND MATERIALS. Borrower will promptly pay when due all bills and costs for labor, materials, and specifically fabricated materials incurred by Borrower in connection with the Property and never permit to be created or exist in respect of Borrower's interest in the Property or any part thereof any other or additional lien or security interest other than the liens or security interests hereof, except for the Permitted Exceptions (defined below).

3.12 MANAGEMENT.

(a) Borrower represents and warrants to Lender that it self-manages the Property, and that it has not contracted with any third party to manage the operation, maintenance or leasing of the Property ("Management Services"). Borrower shall have the right, on at least thirty (30) days prior written notice, to delegate the Management Services to a third party manager (a "Manager"), subject to the following: (i) in no event shall the aggregate fees and other compensation payable to the Manager exceed five percent (5.0%) of the gross income from the Property, (ii) the Manager shall be a Qualified Manager (hereinafter defined), (iii) the Manager shall have entered into a management agreement with Borrower (a "Management Agreement") approved by Lender, which approval shall not be unreasonably withheld or delayed, and (iv) Borrower and the Manager shall have entered into an assignment of management agreement and subordination of management fees approved by Lender, which approval shall not be unreasonably withheld. If Borrower shall enter into any Management Agreement, then (1) Borrower shall diligently perform and observe all of the terms, covenants and conditions of the Management Agreement or any replacement thereof, on the part of Borrower to be performed and observed to the end that all things shall be done which are necessary to keep unimpaired the rights of Borrower under the Management Agreement, (2) Borrower shall promptly notify Lender of the giving of any notice by Manager to Borrower of any default by Borrower in the performance or observance of any of the terms, covenants or conditions of the Management Agreement on the part of Borrower to be performed and observed and deliver to Lender a true copy of each such notice, (3) Borrower shall not surrender the Management Agreement, consent to the assignment by the Manager of its interest under the Management Agreement, or terminate or cancel the Management Agreement, or modify, change, supplement, alter or amend the Management Agreement to increase the management fee, reduce the Manager's material obligations in any material respect or in any other manner as may result in a Material Adverse Effect, either orally or in writing without the prior written consent of Lender, which consent shall not be unreasonably withheld provided the Property shall at all times be managed by a Qualified Manager. Borrower hereby assigns to Lender as further security for the payment of the Debt and for the performance and observance of the terms, covenants and conditions of this Security Instrument, all the rights, privileges and prerogatives of Borrower to surrender any such Management Agreement, or to terminate, cancel, modify, change, supplement, alter or amend any such Management Agreement, and any such surrender of the Management Agreement, or termination, cancellation, modification, change, supplement, alteration or amendment of the Management Agreement, without the prior consent of Lender shall be void and of no force and effect. If Borrower shall default in the performance or observance of any material term, covenant or condition of the Management Agreement on the part of Borrower to be performed or observed, then, without limiting the generality of the other provisions of this Agreement, and without waiving or releasing Borrower from any of its obligations hereunder, Lender shall have the right upon notice to Borrower, but shall be under no obligation, to pay any sums and to perform any act or take any action as may be appropriate to cause all the terms, covenants and conditions of the Management Agreement on the part of Borrower to be performed or observed to be promptly performed or observed on behalf of Borrower, to the end that the rights of Borrower in, to and under the Management Agreement shall be kept unimpaired and free from default. Lender and any Person designated by Lender shall have, and are hereby granted, the right to enter upon the Property at any time upon reasonable prior written notice and subject to the rights of tenants under the Leases and from time to time for the purpose of taking any such action. If the Manager shall deliver to Lender a copy of any notice sent to Borrower of default under the Management Agreement, such notice shall constitute full protection to Lender for any action taken or omitted to be taken by Lender in good faith, in reliance thereon. Borrower shall not, and shall not permit the Manager to, sub-contract any or all of its management responsibilities under the Management Agreement to a third-party except as expressly permitted in the Management Agreement without the prior written consent of Lender, which consent shall not be unreasonably withheld or delayed. Borrower shall, from time to time, use reasonable efforts to obtain from the Manager such certificates of estoppel with respect to compliance by Borrower with the terms of the Management Agreement as may be requested by Lender, provided that, Lender shall have the right to request such an estoppel not more than one (1) time per calendar year. Any sums expended by Lender pursuant to this paragraph shall bear interest at the Default Rate from the date such cost is incurred to the date of payment to Lender, (x) shall be deemed to constitute a portion of the Debt, (y) shall be secured by the lien of the Security Instrument and the other Loan Documents and (z) shall be immediately due and payable upon demand by Lender therefor. As used herein, the term "Qualified Manager" shall mean (A) an Affiliate of Sponsor (hereinafter defined) or (B) a reputable and experienced professional management organization (I) which manages, together with its Affiliates, at least ten (10) properties of a type and quality (or superior quality) to the Property, totaling in the aggregate no less than 2,000 mobile home pad sites, of which at least 1,000 sites shall be located in Delaware (all exclusive of the Property) and (II) prior to whose employment as Manager shall have been approved by Lender, such approval not to be unreasonably withheld or delayed.

(b) Without limitation to the foregoing, if at any time: (i) there exists an Event of Default, (ii) there exists a material default by a Manager under a Management Agreement beyond any applicable notice and cure period, or (iii) without limitation to (i), the Maturity Date has occurred and the Debt has not been repaid in full, Borrower, upon the request of Lender, shall (y) if it is then self-managing the Property, retain a third party Manager or (z) if a third party Manager is then managing the Property, terminate the Management Agreement and replace the Manager, without penalty or fee. Any such new or replacement Manager shall be a Qualified Manager that shall assume management of the Property pursuant to a replacement management agreement that is reasonably acceptable to Lender. At the time such new or replacement Management Agreement is entered into, Borrower and the related Manager shall enter into an assignment of management agreement and subordination of management fees in favor of Lender that is reasonably acceptable to Lender.

(c) Except for the delegation of Management Services to an Affiliate of Sponsor, Lender may condition any required consent or approval of it under this Section 3.12 upon confirmation from the Rating Agencies rating any class of Securities that the related matter shall not result in the downgrade, qualification or withdrawal of the then current ratings of any class of Securities.

3.13 **PERFORMANCE OF OTHER AGREEMENTS.** Borrower shall observe and perform in all material respects each and every term to be observed or performed by Borrower pursuant to the terms of any agreement or recorded instrument given by Borrower to Lender for the purpose of further securing an obligation secured hereby and any amendments, modifications or changes thereto. In addition, Borrower shall observe and perform in all material respects all other agreements to be observed or performed by Borrower pursuant to the terms of any agreement or recorded instrument affecting or pertaining to the Property and to which Borrower is a party or otherwise subject to the extent necessary to avoid a Material Adverse Effect.

3.14 **CHANGE OF NAME, IDENTITY OR STRUCTURE.** Borrower will not change Borrower's name, identity (including its trade name or names) or, if not an individual, Borrower's corporate, limited liability company, partnership or other structure (without regard to the ownership composition of Borrower) without notifying Lender of such change in writing at least thirty (30) days prior to the effective date of such change and, in the case of a change in Borrower's structure, without first obtaining the prior written consent of Lender. Borrower will execute and deliver to Lender, prior to or contemporaneously with the effective date of any such change, any financing statement or financing statement change required by Lender to establish or maintain the validity, perfection and priority of the security interest granted herein, and to the extent permitted by applicable law, hereby authorizes Lender to file any such financing statement on Borrower's behalf. At the request of Lender, Borrower shall execute a certificate in form satisfactory to Lender listing the trade names under which Borrower intends to operate the Property, and representing and warranting that Borrower does business under no other trade name with respect to the Property.

3.15 **EXISTENCE.** Borrower will continuously maintain its existence and its rights to do business in the state where the Property is located together with its franchises and trade names.

3.16 **OFAC.** At all times throughout the term of the Loan, Borrower and all of its respective Affiliates shall (i) not be a Prohibited Person (defined below) and (ii) be in full compliance with all applicable orders, rules, regulations and recommendations of The Office of Foreign Assets Control ("OFAC") of the U.S. Department of the Treasury.

The term "Prohibited Person" shall mean any person or entity:

(a) listed in the Annex to, or otherwise subject to the provisions of, the Executive Order No. 13224 on Terrorist Financing, effective September 24, 2001, and relating to Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism (the "Executive Order");

(b) that is owned or controlled by, or acting for or on behalf of, any person or entity that is listed to the Annex to, or is otherwise subject to the provisions of, the Executive Order.

(c) with whom Lender is prohibited from dealing or otherwise engaging in any transaction by any terrorism or money laundering law, including the Executive Order;

(d) who commits, threatens or conspires to commit or supports “terrorism” as defined in the Executive Order;

(e) that is named as a “specially designated national and blocked person” on the most current list published by the U.S. Treasury Department Office of Foreign Assets Control at its official website, www.ustreas.gov/offices/enforcement/ofac or at any replacement website or other replacement official publication of such list; or

(f) who is an Affiliate of or affiliated with a person or entity listed above.

As used in this Security Instrument, (y) the term “Affiliate”, as used herein, shall mean, as to any person or entity, any other person or entity that, directly or indirectly, is in control of, is controlled by or is under common control with such person or entity or is a director or officer of such person or entity, or of an Affiliate of such person or entity, and (z) the term “control” means the possession, directly or indirectly, of the power to direct or cause the direction of management, policies or activities of a person or entity, whether through ownership of voting securities, by contract or otherwise.

4 - SPECIAL COVENANTS

Borrower covenants and agrees that:

4.1 **PROPERTY USE.** The Property shall be used only as a mobile home community and for no other use without the prior written consent of Lender, which consent may be withheld in Lender’s sole and absolute discretion.

4.2 **SPECIAL PURPOSE ENTITY.** Until the Debt has been paid in full, Borrower hereby represents, warrants and covenants that it is and shall continue to be a Special Purpose Entity. A “Special Purpose Entity” means a corporation, limited liability company or partnership, which (a) does not have and will not incur any debt, secured or unsecured, direct or contingent (including guaranteeing any obligation), other than, with respect to Borrower and, if Borrower is a partnership, each of its Special Purpose Entity general partners, the following: (i) the Debt, (ii) trade payables and capital expenditures incurred in the ordinary course of the business of owning and operating the Property, provided that such trade payables and capital expenditures (A) shall not be evidenced by a note, (B) shall be paid within sixty (60) days of the date incurred and (C) shall not exceed, in the aggregate, three percent (3%) of the outstanding principal balance of the Loan at any one time, (iii) real estate taxes and assessments, and (iv) obligations under equipment leases and purchase money financing arrangements entered into in connection with the leasing or purchase of equipment reasonably required in connection with the ownership and operation of the Property, provided that the sum of the purchase price (or in the case of leased equipment, the amount that would have been paid in order to purchase, instead of lease) for such equipment shall not exceed, in the aggregate, one percent (1%) of the outstanding principal balance of the Loan at any one time; (b) if such entity is a limited liability company, has as its manager or managing member a Special Purpose Entity that owns at least one half percent (.50%) of the membership interests of the limited liability company; (c) if such entity is a partnership, has a general partner of such entity that is a Special Purpose Entity that owns at least one percent (1.0%) of the partnership interests in such partnership, (d) has Charter Documents that provide that such entity will not: (1) dissolve, merge, liquidate, consolidate; (2) sell all or substantially all of its assets or the assets of any entity in which it has a direct or indirect interest, except as otherwise provided in the Loan Documents; (3) engage in any other business activity, or amend its organizational documents with respect to the matters set forth in this Section 4.2 without the consent of the Lender; or (4) without the affirmative vote of all of the directors of the corporation or directors or managers of a limited liability company (that is such entity, the managing member or a general partner of such entity), file a bankruptcy or insolvency petition or otherwise institute insolvency proceedings with respect to itself or to any other entity in which it has a direct or indirect legal or beneficial ownership interest; and (e) at all times from and after June 30, 1997 (and to Borrower’s knowledge with respect to the representations in clauses (i), (ii) and (iii) below, from and after the date of its inception):

(i) has been, and continuing from and after the date hereof shall remain, organized solely for the purpose of (i) acquiring, developing, owning, holding, selling, leasing, transferring, exchanging,

managing and operating the Property, obtaining the Loan from Lender and transacting lawful business that is incident, necessary and appropriate to accomplish the foregoing; (ii) acting as a general partner of the partnership that owns the Property; or (iii) acting as a managing member of the general partners of the partnership that owns the Property;

(ii) has not engaged in, and continuing from and after the date hereof shall not engage in, any business or activity unrelated to (i) the acquisition, development, ownership, management or operation of the Property, (ii) acting as a member and or manager of the limited liability company that is a general partner of the partnership that owns the Property; or (iii) acting as a general partner of the partnership that owns the Property;

(iii) has not owned, and continuing from and after the date hereof shall not own, any material assets other than (i) the Property, (ii) such incidental Personal Property as may be necessary for the operation of the Property, (iii) the membership interest in the limited liability company that is a general partner of the partnership that owns the Property; or (iv) the general partnership interest in the partnership that owns the Property;

(iv) has not engaged in, sought or consented to, and continuing from and after the date hereof shall not engage in, seek or consent to, any dissolution, winding up, liquidation, consolidation, merger, or sale of all or substantially all of its assets, or transfer of its partnership or membership interests, or any stock or beneficial ownership of, any entity, except as permitted under Section 8 of this agreement;

(v) has preserved, and continuing from and after the date hereof will preserve, its existence as an entity duly organized and validly existing under the laws of the jurisdiction of its organization or formation and will not without the prior written consent of Lender, amend, modify, terminate or fail to comply with the provisions of its operating agreement, articles of formation, partnership agreement or certificate of partnership, certificate of incorporation, by-laws or similar organizational documents, as the case may be (collectively, the "Charter Documents"), or consent to or suffer the amendment, modification, termination or breach of any of the Charter Documents, or amend, modify, terminate or fail to comply with, or consent or suffer the amendment, modification, termination or breach of any Charter Documents of any entity in which it owns an interest, in each case in such a manner as could reasonably jeopardize Borrower's status as a bankruptcy remote entity;

(vi) has not owned, and continuing from and after the date hereof, shall not own or make any investment in, any individual, corporation, partnership, joint venture, limited liability company, estate, trust, unincorporated association, any federal, state, county or municipal government or any bureau, department or agency thereof or any fiduciary acting in such capacity on behalf of any of the foregoing (each, a "Person") other than Borrower or a Special Purpose Entity owning an interest in Borrower;

(vii) has not commingled, and from and after the date hereof, shall not commingle its assets with the assets of any of its general partners, managing members, shareholders, Affiliates, principals or of any other person or entity;

(viii) has maintained, and from and after the date hereof shall maintain, its financial statements, accounting records, bank accounts and other entity documents separate and apart from those of the partners, members, shareholders, principals and Affiliates of such entity, and has not permitted and will not permit its assets to be listed as assets on the financial statement of any other entity except that such entity's financial position, assets, results of operations and cash flows may be included in the consolidated financial statements of an Affiliate of such entity; provided, however, that any such consolidated financial statement shall contain a note indicating that its separate assets and liabilities are neither available to pay the debts of the consolidated entity nor constitute obligations of the consolidated entity;

(ix) has not entered into or been a party to, and from and after the date hereof, will not enter into or be a party to any contract or agreement with any general partner, managing member, shareholder, principal or Affiliate of Borrower, Guarantor or Indemnitee, or any general partner, managing member,

shareholder, principal or Affiliate thereof, except upon terms and conditions that are intrinsically fair and substantially similar to those that would be available in a comparable arms-length basis with third parties;

(x) has maintained, and from and after the date hereof shall maintain, its assets in such a manner that it will not be costly or difficult to segregate, ascertain or identify its individual assets from those of any other Person;

(xi) has not made, and from and after the date hereof shall not make any loans to any third party;

(xii) has held itself out and identified itself, and from and after the date hereof shall hold itself out and identify itself, to the public as a legal entity separate and distinct from any other Person;

(xiii) has conducted, and from and after the date hereof shall conduct, its business solely in its own name in order not (i) to mislead others as to the identity with which such other party is transacting business, or (ii) to suggest that such entity is responsible for the debts of any third party (including any general partner, managing member, shareholder, principal or Affiliate of such entity, but not including any Special Purpose Entity limited partnership of which such entity is expressly permitted to be a general partner in accordance with the terms hereof);

(xiv) has remained, and from and after the date hereof intends to remain, solvent and which pay its debt and liabilities (including, as applicable, shared personnel and overhead expenses) from the revenue generated from the operation of the Property, provided that the foregoing covenant shall not require the general partners, shareholders or members, as the case may be, of such Special Purpose Entity to make any additional capital contributions to such Special Purpose Entity;

(xv) has maintained, and from and after the date hereof, will maintain, to the extent available from the cash flow generated from the operation of the Property, adequate capital for the normal obligations reasonably foreseeable in a business of its size and character and in light of its contemplated business operations ;

(xvi) has filed, and from and after the date hereof, will file its own tax returns, if any, as may be required under applicable law, to the extent such entity is (1) not part of a consolidated group filing a consolidated return or returns or (2) not treated as a division solely for tax purposes of another taxpayer, and has paid and will pay any taxes so required to be paid under applicable law;

(xvii) has allocated, and from and after the date hereof, will allocate fairly and reasonably any overhead expenses that are shared with an Affiliate, including paying for office space and services performed by any employee of an Affiliate;

(xviii) has not failed, and from and after the date hereof shall not fail, to correct any known misunderstanding regarding the separate identity of such entity;

(xix) has held, and from and after the date hereof shall hold, its assets in its own name and has conducted and will conduct its business in its own name;

(xx) has paid, and from and after the date hereof shall pay, its own liabilities and expenses;

(xxi) has observed, and from and after the date hereof shall observe, all corporate, limited liability company or partnership formalities, as applicable;

(xxii) has not assumed, guaranteed or become obligated for, and from and after the date hereof shall not assume or guarantee or become obligated for, the debts of any other Person or hold out its credit as being available to satisfy the obligations of any other Person except by virtue of its status as a Special Purpose Entity general partner of a Special Purpose Entity partnership that has been approved by Lender;

- (xxiii) has not acquired, and from and after the date hereof, will not acquire obligations or securities of its partners, members or shareholders or any other Affiliate;
- (xxiv) has maintained and used, and from and after the date hereof will maintain and use, separate stationery, invoices and checks bearing its name;
- (xxv) has not pledged, and from and after the date hereof shall not pledge, its assets for the benefit of any other Person;
- (xxvi) has not had, and from and after the date hereof will not have, any of its obligations guaranteed by any Affiliate of such entity, except as is contemplated in this agreement;
- (xxvii) has complied, and from and after the date hereof will comply, with all of the material terms and provisions contained in its Charter Documents; and
- (xxviii) has conducted and operated, and from and after the date hereof shall conduct and operate, its business as presently conducted and operated and in compliance with the requirements of its Charter Documents.

Notwithstanding the foregoing, the following operations and activities of Borrower and its Affiliates shall not be considered a violation of the covenants contained in this Section 4.2:

1. offering services to residents of the Property through Affiliates of Borrower or other third parties for which fees and charges may be collected by Borrower or the Affiliate and paid to such Affiliate or third party, which may include, without limitation, cable and internet services, landscaping, snow removal, lease or sale of manufactured homes, and child care; provided that such Affiliates do not conduct their business in the name of Borrower and that any agreements between Borrower and its Affiliates relating to such services are on commercially reasonable terms similar to those of an arm's length transaction;
2. depositing all gross revenue, whether cash, cash equivalents or similar assets, in an operating account maintained specifically for the Property (a "Property Operating Account"), after paying expenses of Borrower or causing SCOLP and/or Sponsor, to pay such expenses, and distributing such remaining cash to Sponsor, SCOLP, or at the direction of Sponsor or SCOLP, as applicable, to any other Affiliate of Borrower, and in any case, distributing such remaining cash that does not belong to the Borrower promptly to such entities;
3. paying all payables, debts and other liabilities arising from or in connection with the operation of the Property from the Property Operating Account, or causing SCOLP and/or Sponsor to pay such liabilities;
4. using ancillary assets in connection with the operation of the Property held in the name of Sponsor, SCOLP, or any of their Affiliates, such as vehicles and office and maintenance equipment;
5. treating the Property for all purposes as part of and within the portfolio of manufactured housing communities owned by SCOLP or its Affiliates, for marketing, promotion and providing information and reports to the public or as required by any applicable law; provided, however, that Borrower shall conduct business in its own name or its assumed or trade name; and/or
6. allocating general overhead and administrative costs incurred by Sponsor and SCOLP and/or other Affiliates of Borrower in a fair and equitable manner.

4.3 RESTORATION. The following provisions shall apply in connection with the Restoration of the Property:

- (a) If the Net Proceeds shall be less than \$500,000 and the costs of completing the Restoration shall be less than \$500,000, the Net Proceeds will be disbursed by Lender to Borrower upon receipt, provided that all of the conditions set forth in Subsection 4.3(b)(i) are met and Borrower delivers to Lender a

written undertaking to expeditiously commence and to satisfactorily complete with due diligence the Restoration in accordance with the terms of this Security Instrument.

(b) If the Net Proceeds are equal to or greater than \$500,000 or the costs of completing the Restoration is equal to or greater than \$500,000, Lender shall make the Net Proceeds available for the Restoration in accordance with the provisions of this Subsection 4.3(b). The term "Net Proceeds" for purposes of this Section 4.3 shall mean: (i) the net amount of all insurance proceeds received by Lender pursuant to Subsections 3.2(a)(i), (iv), and (vi) of this Security Instrument as a result of such damage or destruction (or any proceeds of self-insurance maintained in lieu of such insurance policies), after deduction of its reasonable costs and expenses (including, but not limited to, reasonable counsel fees), if any, in collecting same ("Insurance Proceeds"), or (ii) the net amount of all awards and payments received by Lender with respect to a taking referenced in Section 3.5 of this Security Instrument, after deduction of its reasonable costs and expenses (including, but not limited to, reasonable counsel fees), if any, in collecting same ("Condemnation Proceeds"), whichever the case may be.

(i) The Net Proceeds shall be made available to Borrower for the Restoration provided that each of the following conditions are met: (A) no Event of Default shall have occurred and be continuing under the Note, this Security Instrument or any of the other Loan Documents; (B) (1) in the event of the Net Proceeds are Insurance Proceeds, less than fifty percent (50%) of the total floor area of the Improvements has been damaged, destroyed, or rendered unusable as a result of such fire or other casualty or (2) in the event the Net Proceeds are Condemnation Proceeds, less than ten percent (10%) of the land constituting the Property is taken, and such land is located along the perimeter or periphery of the Property; (C) Leases demising in the aggregate a percentage amount equal to or greater than fifty percent (50%) (with respect to casualties) or ninety percent (90%) (with respect to condemnation) of the total net rentable space in the Property which has been demised under executed and delivered Leases in effect as of the date of the occurrence of such fire or other casualty, as the case may be, shall remain in full force and effect during and after the completion of the Restoration; (D) Borrower shall have commenced the Restoration as soon as reasonably practicable (but in no event later than ninety (90) days after the settlement of the related insurance claim or determination of the condemnation award) and shall diligently pursue the same to satisfactory completion; (E) Lender shall be satisfied that any operating deficits, including all scheduled payments of principal and interest under the Note at the Applicable Interest Rate (as defined in the Note), which will be incurred with respect to the Property as a result of the occurrence of any such fire or other casualty or taking, whichever the case may be, will be covered out of (1) the Net Proceeds, (2) the insurance coverage referred to in Subsection 3.2(a)(iii), if applicable, or (3) by other funds of Borrower; (F) Lender shall be satisfied that following the completion of the Restoration, the ratio of sustainable net cash flow for the Property (after deduction for underwritten reserves) to debt service payable under the Note shall be at least 1.20 to 1.00; (G) Lender shall be reasonably satisfied that the Restoration will be completed on or before the earliest to occur of (1) twelve (12) months prior to the Maturity Date (as defined in the Note), (2) twelve (12) months after the occurrence of such fire or other casualty or taking, whichever the case may be, (3) the earliest date required for such completion under the terms of any Leases which are required in accordance with the provisions of this Subsection 4.3(b) to remain in effect subsequent to the occurrence of such fire or other casualty or taking, whichever the case may be, and the completion of the Restoration or (4) such time as may be required under any applicable zoning laws, ordinances, rules or regulations in order to repair and restore the Property to the condition it was in immediately prior to such fire or other casualty or to as nearly as possible the condition it was in immediately prior to such taking, as applicable; (H) the Property and the use thereof after the Restoration will be in compliance with and permitted under all applicable zoning laws, ordinances, rules and regulations; (I) the Restoration shall be done and completed by Borrower in an expeditious and diligent fashion and in compliance with all applicable laws, rules and regulations; and (J) such fire or other casualty or taking, as applicable, does not result in the loss of access to the Property or the Improvements.

(ii) The Net Proceeds shall be held by Lender and, until disbursed in accordance with the provisions of this Subsection 4.3(b), shall constitute additional security for the Obligations. The Net Proceeds shall be disbursed by Lender to, or as directed by, Borrower from time to time during the course of the Restoration, upon receipt of evidence satisfactory to Lender that (A) all materials installed and work and labor performed (except to the extent that they are to be paid for out of the requested disbursement) in connection with the Restoration have been paid for in full, and (B) there exist no notices

of pendency, stop orders, mechanic's or materialman's liens or notices of intention to file same, or any other liens or encumbrances of any nature whatsoever on the Property arising out of the Restoration which have not either been fully bonded to the satisfaction of Lender and discharged of record or in the alternative fully insured to the satisfaction of Lender by the title company insuring the lien of this Security Instrument.

(iii) All plans and specifications required in connection with the Restoration shall be subject to prior review and approval in all respects by Lender and by an independent consulting engineer selected by Lender (the "Casualty Consultant"), which approval shall not be unreasonably withheld or delayed. Lender shall have the use of the plans and specifications and all permits, licenses and approvals required or obtained in connection with the Restoration. The identity of the contractors, subcontractors and materialmen engaged in the Restoration, as well as the contracts under which they have been engaged, shall be subject to prior review and acceptance by Lender and the Casualty Consultant, which approval shall not be unreasonably withheld or delayed. All costs and expenses incurred by Lender in connection with making the Net Proceeds available for the Restoration including, without limitation, reasonable counsel fees and disbursements and the Casualty Consultant's fees, shall be paid by Borrower.

(iv) In no event shall Lender be obligated to make disbursements of the Net Proceeds in excess of an amount equal to the costs actually incurred from time to time for work in place as part of the Restoration, as certified by the Casualty Consultant, minus the Casualty Retainage. The term "Casualty Retainage" as used in this Subsection 4.3(b) shall mean an amount equal to 10% of the costs actually incurred for work in place as part of the Restoration, as certified by the Casualty Consultant, until the Restoration has been completed. The Casualty Retainage shall in no event, and notwithstanding anything to the contrary set forth above in this Subsection 4.3(b), be less than the amount actually held back by Borrower from contractors, subcontractors and materialmen engaged in the Restoration. The Casualty Retainage shall not be released until the Casualty Consultant certifies to Lender that the Restoration has been completed in accordance with the provisions of this Subsection 4.3(b) and that all approvals necessary for the re-occupancy and use of the Property have been obtained from all appropriate governmental and quasi-governmental authorities, and Lender receives evidence reasonably satisfactory to Lender that the costs of the Restoration have been paid in full or will be paid in full out of the Casualty Retainage, provided, however, that Lender will release the portion of the Casualty Retainage being held with respect to any contractor, subcontractor or materialman engaged in the Restoration as of the date upon which the Casualty Consultant certifies to Lender that the contractor, subcontractor or materialman has satisfactorily completed all work and has supplied all materials in accordance with the provisions of the contractor's, subcontractor's or materialman's contract, and the contractor, subcontractor or materialman delivers the lien waivers and evidence of payment in full of all sums due to the contractor, subcontractor or materialman as may be reasonably requested by Lender or by the title company insuring the lien of this Security Instrument. If required by Lender, the release of any such portion of the Casualty Retainage shall be approved by the surety company, if any, which has issued a payment or performance bond with respect to the contractor, subcontractor or materialman.

(v) Lender shall not be obligated to make disbursements of the Net Proceeds more frequently than once every calendar month.

(vi) If at any time the Net Proceeds or the undisbursed balance thereof shall not, in the reasonable opinion of Lender, be sufficient to pay in full the balance of the costs which are estimated by the Casualty Consultant to be incurred in connection with the completion of the Restoration, Borrower shall deposit the deficiency (the "Net Proceeds Deficiency") with Lender before any further disbursement of the Net Proceeds shall be made. The Net Proceeds Deficiency deposited with Lender shall be held by Lender and shall be disbursed for costs actually incurred in connection with the Restoration on the same conditions applicable to the disbursement of the Net Proceeds, and until so disbursed pursuant to this Subsection 4.3(b) shall constitute additional security for the Obligations. With respect to Restorations following a casualty in which the Improvements are restored to substantially the same condition as they existed prior to the casualty, the excess, if any, of the Net Proceeds and the remaining balance, if any, of the Net Proceeds Deficiency deposited with Lender after the Casualty Consultant certifies to Lender that the Restoration has been completed in accordance with the provisions of this Subsection 4.3(b), and the

receipt by Lender of evidence reasonably satisfactory to Lender that all costs incurred in connection with the Restoration have been paid in full, shall be remitted by Lender to Borrower, provided no Event of Default shall have occurred and shall be continuing under the Note, this Security Instrument or any of the other Loan Documents.

(c) All Net Proceeds not required (i) to be made available for the Restoration or (ii) to be returned to Borrower as excess Net Proceeds pursuant to Subsection 4.3(b)(vi) may be retained and applied by Lender toward the payment of the Debt whether or not then due and payable in such order, priority and proportions as Lender in its discretion shall deem proper or, at the discretion of Lender, the same may be paid, either in whole or in part, to Borrower for such purposes as Lender shall designate, in its discretion. Provided no Event of Default exists under the Note, this Security Instrument or the other Loan Documents, Borrower shall not be obligated to pay any prepayment premium or other prepayment consideration in connection with a prepayment resulting from the application of Net Proceeds to the Debt pursuant to the preceding sentence. Any such prepayment shall be applied to the principal last due under the Note and shall not release Borrower from the obligation to pay the Monthly Payments (as defined in the Note) next becoming due under the Note and the Monthly Payment shall not be adjusted or recalculated as a result of such partial prepayment. If Lender shall receive and retain Net Proceeds, the lien of this Security Instrument shall be reduced only by the amount thereof received and retained by Lender and actually applied by Lender in reduction of the Debt.

4.4 LOCK BOX ACCOUNT. (a) Upon the occurrence of an Event of Default, provided a lock box procedure has not otherwise been instituted under any other provision of the Loan Documents, Lender shall have the right, upon written notice to Borrower to require that, from and after the next succeeding date of payment of an installment of principal and interest under the Note, all Rents with respect to the Property, at Lender's discretion, be paid directly to the property manager for the Property (the "Manager") and deposited daily by the Manager in the name designated by Lender directly to a designated lock-box account (the "Lock-Box Account"), opened by Lender at a bank (the "Lock-Box Bank"), which account shall be within the exclusive control of Lender.

(b) Upon receipt of notice from Lender as set forth in Subsection (a) above, Borrower shall enter into and shall cause Manager to enter into a lock-box agreement with Lender in a form reasonably satisfactory to Lender, which form shall substantially reflect the provisions of this Section (provided, however, that Borrower's obligations under this Section 4.4 (including Borrower's obligation to cause Manager to deposit Rents in the Lock-Box Account in accordance with Section 4.4(a) above) shall not be dependent upon the execution of any such lock-box agreement). If, in Lender's judgment, the Manager's performance in collecting Rents shall decline, Borrower shall irrevocably instruct and otherwise cause each party paying such Rents (including each tenant under any Lease) to make all payments (A) if by wire transfer, to the Lock Box Account, and (B) if by check, money order or similar manner of payment, by mail to a designated lock box (the "Lock Box") within the exclusive control of Lender. Amounts deposited into the Lock-Box shall be collected and deposited daily by the Lock-Box Bank into the Lock-Box Account. Borrower agrees that if any Rents required to be deposited in the Lock Box Account shall be received by it or any affiliate or any manager of all or any portion of the Property, Borrower shall deposit or cause such Rents to be deposited in the Lock Box Account within one (1) Business Day of the receipt of such Rents by Borrower, any affiliate or any manager.

(c) Amounts on deposit in the Lock-Box Account on any date of payment of an installment of principal and interest under the Note shall be applied in the following order of priority: (i) to pay any Taxes, Other Charges or Insurance Premiums then due and payable; (ii) to pay the Lock-Box Bank's fees; (iii) to pay interest and principal due on such date with respect to the Note; (iv) to replenish all reserves and escrow funds required to be paid by Borrower to Lender under the Note, this Security Instrument and the other Loan Documents; and (v) to pay normal and customary operating expenses of the Property which have been approved by Lender.

(d) In the event that Lender shall have the right to institute lock box procedures pursuant to any other provision of the Loan Documents, the terms and provisions of such provision shall supersede the provisions of this Section 4.4.

(e) In the event that lockbox procedures shall be instituted pursuant to the provisions of this Section 4.4 and thereafter Lender shall accept the cure of such Event of Default in writing or waive such Event of Default, such lockbox procedures shall be discontinued subject to Lender's right to reinstitute the same upon the occurrence of any future Event of Default.

5 - REPRESENTATIONS AND WARRANTIES

Borrower represents and warrants to Lender that:

5.1 **WARRANTY OF TITLE.** Borrower has paid for and has good title to the Property and has the right to mortgage, grant, bargain, sell, pledge, assign, warrant, set over, transfer and convey the same and that Borrower possesses an unencumbered fee simple absolute estate in the Land and the Improvements and that it owns the Property free and clear of all liens, encumbrances and charges whatsoever except for those exceptions shown in the title insurance policy insuring the lien of this Security Instrument (the "Permitted Exceptions"). The Permitted Exceptions do not and will not materially adversely affect or interfere with the value, or materially adversely affect or interfere with the current use or operations, of the Property, or the security intended to be provided by this Security Instrument or the ability of Borrower to repay the Note or any other amount owing under the Note, this Security Instrument, or the other Loan Documents or to perform its obligations thereunder in accordance with the terms of the Note, this Security Instrument or the other Loan Documents. Borrower shall forever warrant, defend and preserve the title and the validity and priority of the lien of this Security Instrument and shall forever warrant and defend the same to Lender against the claims of all persons whomsoever.

5.2 **AUTHORITY.** Borrower (and the undersigned representative of Borrower, if any) has full power, authority and legal right to execute this Security Instrument, and to mortgage, grant, bargain, sell, pledge, assign, warrant, set-over, transfer and convey the Property pursuant to the terms hereof and to keep and observe all of the terms of this Security Instrument on Borrower's part to be performed.

5.3 **LEGAL STATUS AND AUTHORITY.** Borrower (a) is duly organized, validly existing and in good standing under the laws of its state of organization or incorporation; (b) is duly qualified to transact business and is in good standing in the State where the Property is located; and (c) has all necessary approvals, governmental and otherwise, and full power and authority to own the Property and carry on its business as now conducted and proposed to be conducted. Borrower now has and shall continue to have the full right, power and authority to operate and lease the Property, to encumber the Property as provided herein and to perform all of the other obligations to be performed by Borrower under the Note, this Security Instrument and the other Loan Documents.

5.4 **VALIDITY OF DOCUMENTS.** (a) The execution, delivery and performance of the Note, this Security Instrument and the other Loan Documents and the borrowing evidenced by the Note (i) are within the partnership power of Borrower; (ii) have been authorized by all requisite partnership action; (iii) to the best of Borrower's knowledge, have received all necessary approvals and consents, whether corporate, governmental or otherwise; (iv) will not violate, result in a breach of or constitute (with notice or lapse of time, or both) a default under any provision of law, any order or judgment of any court or governmental authority of which Borrower is aware, the partnership agreement or other governing instrument of Borrower, or any indenture, agreement or other instrument to which Borrower is a party or by which it or any of its assets or the Property is or may be bound or affected; (v) will not result in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of its assets, except the lien and security interest created hereby; and (vi) will not require any authorization or license from, or any filing with, any governmental or other body (except for the recordation of this instrument in appropriate land records in the State where the Property is located and except for Uniform Commercial Code filings relating to the security interest created hereby); and (b) the Note, this Security Instrument and the other Loan Documents constitute the legal, valid and binding obligations of Borrower.

5.5 **LITIGATION.** There is no action, suit or proceeding, judicial, administrative or otherwise (including any condemnation or similar proceeding), pending or, to the best of Borrower's knowledge, threatened or contemplated against, or affecting, Borrower, a Guarantor, if any, an Indemnitor, if any, or the Property, and which if determined adversely to Borrower or any Guarantor or Indemnitor, could reasonably result in a Material Adverse Effect.

5.6 STATUS OF PROPERTY. (a) No portion of the Improvements is located in an area identified by the Secretary of Housing and Urban Development or any successor thereto as an area having special flood hazards pursuant to the National Flood Insurance Act of 1968 or the Flood Disaster Protection Act of 1973, as amended, or any successor law, or, if located within any such area, Borrower has obtained and will maintain the insurance prescribed in Section 3.2 hereof; (b) Borrower has obtained all necessary certificates, licenses and other approvals, governmental and otherwise, necessary for the operation of the Property and the conduct of its business and all required zoning, building code, land use, environmental and other similar permits or approvals, all of which are in full force and effect as of the date hereof and not subject to revocation, suspension, forfeiture or modification; (c) the Property and the present and contemplated use and occupancy thereof are in material compliance with all Applicable Laws, including, without limitation, zoning ordinances, building codes, land use and environmental laws, laws relating to the disabled (including, but not limited to, the ADA) and other similar laws; (d) the Property is served by all utilities (including, but not limited to, public water and sewer systems) required for the current or contemplated use thereof; (e) all utility service is provided by public utilities and the Property has accepted or is equipped to accept such utility service; (f) all public roads and streets necessary for service of and access to the Property for the current or contemplated use thereof have been completed, are serviceable and all-weather and are physically and legally open for use by the public; (g) except as otherwise indicated in the property condition report obtained by Lender, the Property is, to the best of Borrower's knowledge, free from damage caused by fire or other casualty; (h) all costs and expenses of any and all labor, materials, supplies and equipment used in the construction of the Improvements have been paid in full; (i) all liquid and solid waste disposal, septic and sewer systems located on the Property are in a good and safe condition and repair and in material compliance with all Applicable Laws; and (j) except as otherwise shown by the survey delivered to Lender in connection with the origination of the Loan, all Improvements lie within the boundary of the Land.

5.7 NO FOREIGN PERSON. Borrower is not a "foreign person" within the meaning of Section 1445(f)(3) of the Internal Revenue Code of 1986, as amended and the related Treasury Department regulations, including temporary regulations.

5.8 SEPARATE TAX LOT. The Property is assessed for real estate tax purposes as one or more wholly independent tax lot or lots, separate from any adjoining land or improvements not constituting a part of such lot or lots, and no other land or improvements are assessed and taxed together with the Property or any portion thereof.

5.9 ERISA COMPLIANCE. As of the date hereof and throughout the term of this Security Instrument, (i) Borrower is not and will not be an "employee benefit plan" as defined in Section 3(3) of ERISA, which is subject to Title I of ERISA; (ii) the assets of Borrower do not and will not constitute "plan assets" of one or more such plans for purposes of Title I of ERISA; (iii) Borrower is not and will not be a "governmental plan" within the meaning of Section 3(32) of ERISA; and (iv) transactions by or with Borrower are not and will not be subject to state statutes applicable to Borrower regulating investments of and fiduciary obligations with respect to governmental plans. Borrower shall deliver to Lender such certifications or other evidence as requested by Lender from time to time of Borrower's compliance with the foregoing representations and covenants.

5.10 LEASES. (a) Borrower is the sole owner of the entire lessor's interest in the Leases; (b) the Leases are valid and enforceable; (c) the terms of all alterations, modifications and amendments to the Leases are reflected in the certified occupancy statement delivered to and approved by Lender; (d) none of the Rents reserved in the Leases have been assigned or otherwise pledged or hypothecated; (e) none of the Rents have been collected for more than one (1) month in advance; (f) the premises demised under the Leases have been completed and the tenants under the Leases have accepted the same and have taken possession of the same on a rent-paying basis; (g) there exist no offsets or defenses to the payment of any portion of the Rents; (h) no Lease contains an option to purchase, right of first refusal to purchase, or any other similar provision; and (i) no person or entity has any possessory interest in, or right to occupy, the Property except under and pursuant to a Lease.

5.11 FINANCIAL CONDITION. (a) Borrower is solvent, and no bankruptcy, reorganization, insolvency or similar proceeding under any state or federal law with respect to Borrower has been initiated, and (b) it has received reasonably equivalent value for the granting of this Security Instrument.

5.12 BUSINESS PURPOSES. The Loan is solely for the business purpose of Borrower, and is not for personal, family, household, or agricultural purposes.

5.13 TAXES. Borrower has filed all federal, state, county, municipal, and city income and other tax returns required to have been filed by them and have paid all taxes and related liabilities which have become due pursuant to such returns or pursuant to any assessments received by them. Borrower knows of no basis for any additional assessment in respect of any such taxes and related liabilities for prior years.

5.14 MAILING ADDRESS. Borrower's mailing address, as set forth in the opening paragraph hereof or as changed in accordance with the provisions hereof, is true and correct.

5.15 NO CHANGE IN FACTS OR CIRCUMSTANCES. All information submitted in connection with Borrower's application for the loan and Lender's issuance of a commitment for the Loan (collectively, the "Loan Application") and the satisfaction of the conditions thereof, including, but not limited to, all financial statements, rent rolls, reports, certificates and other documents, are accurate, complete and correct in all material respects. There has been no adverse change in any condition, fact, circumstance or event that makes any such information inaccurate, incomplete or otherwise misleading.

5.16 DISCLOSURE. To Borrower's best knowledge, Borrower has disclosed to Lender all material facts and has not failed to disclose any material fact that is likely to cause any representation or warranty made herein to be materially misleading.

5.17 THIRD PARTY REPRESENTATIONS. Each of the representations and the warranties made by each Guarantor and Indemnitor herein or in any other Loan Document(s) is true and correct in all material respects.

5.18 ILLEGAL ACTIVITY. No portion of the Property has been or will be purchased with proceeds of any illegal activity.

5.19 OFAC. Borrower represents and warrants that neither Borrower or any of its respective Affiliates is a Prohibited Person and Borrower and all of its respective Affiliates are in full compliance with all applicable orders, rules, regulations and recommendations of The Office of Foreign Assets Control of the U.S. Department of the Treasury.

Borrower acknowledges that in accepting the Note, this Security Instrument and the other Loan Documents, Lender is expressly and primarily relying on the truth and accuracy of the warranties and representations set forth above notwithstanding any investigation of the Property by Lender; that such reliance existed on the part of Lender prior to the date hereof; that the warranties and representations are a material inducement to Lender in making the Loan and that Lender would not make the Loan in the absence of such warranties.

6 - OBLIGATIONS AND RELIANCES

6.1 RELATIONSHIP OF BORROWER AND LENDER. The relationship between Borrower and Lender is solely that of debtor and creditor, and Lender has no fiduciary or other special relationship with Borrower and no term or condition of any of the Note, this Security Instrument and the other Loan Documents shall be construed so as to deem the relationship between Borrower and Lender to be other than that of debtor and creditor. Borrower is not relying on Lender's expertise business acumen or advice in connection with the Property.

6.2 NO LENDER OBLIGATIONS. (a) Notwithstanding the provisions of Subsections 1.1(f) and (l) or Section 1.2, Lender is not undertaking the performance of (i) any obligations under the Leases; or (ii) any obligations with respect to such agreements, contracts, certificates, instruments, franchises, permits, trademarks, licenses and other documents.

(b) By accepting or approving anything required to be observed, performed or fulfilled or to be given to Lender pursuant to this Security Instrument, the Note or the other Loan Documents, Lender shall not

be deemed to have warranted, consented to, or affirmed the sufficiency, the legality or effectiveness of same, and such acceptance or approval thereof shall not constitute any warranty or affirmation with respect thereto by Lender.

7 - FURTHER ASSURANCES

7.1 RECORDING OF SECURITY INSTRUMENT, ETC. Borrower forthwith upon the execution and delivery of this Security Instrument and thereafter, from time to time, will cause this Security Instrument and any of the other Loan Documents creating a lien or security interest or evidencing the lien hereof upon the Property to be filed, registered or recorded in such manner and in such places as may be required by any present or future law in order to publish notice of and fully to protect and perfect the lien or security interest hereof upon, and the interest of Lender in, the Property. Except where prohibited by law, Borrower will pay all taxes, duties, imposts, assessments, filing, registration and recording fees, and any and all expenses incident to the preparation, execution, acknowledgment and/or recording of the Loan Documents and any amendment or supplement thereto.

7.2 FURTHER ACTS, ETC. Borrower will, at the cost of Borrower, and without expense to Lender, do, execute, acknowledge and deliver all and every such further acts, deeds, conveyances, mortgages, assignments, notices of assignments, transfers, deeds to secure debt and assurances as Lender shall, from time to time, reasonably require, for the better assuring, conveying, assigning, transferring, and confirming unto Lender the property and rights hereby mortgaged, granted, bargained, sold, conveyed, confirmed, pledged, assigned, warranted and transferred or intended now or hereafter so to be, or which Borrower may be or may hereafter become bound to convey or assign to Lender, or for carrying out the intention or facilitating the performance of the terms of this Security Instrument or for filing, registering or recording this Security Instrument, or for complying in all material respects with all Applicable Laws. Borrower, on demand, will execute and deliver and hereby authorizes Lender to execute in the name of Borrower or without the signature of Borrower to the extent Lender may lawfully do so, and to file in the appropriate filing or recording offices, one or more financing statements, chattel mortgages or other instruments, to evidence more effectively the security interest of Lender in the Property. Borrower grants to Lender an irrevocable power of attorney coupled with an interest for the purpose of exercising and perfecting any and all rights and remedies available to Lender at law and in equity, including without limitation such rights and remedies available to Lender pursuant to this Section 7.2.

7.3 CHANGES IN TAX, DEBT, CREDIT AND DOCUMENTARY STAMP LAWS. (a) If any law is enacted or adopted or amended after the date of this Security Instrument which deducts the Debt from the value of the Property for the purpose of taxation or which imposes a tax, either directly or indirectly, on the Debt or Lender's interest in the Property, Borrower will pay the tax, with interest and penalties thereon, if any. If Lender is advised by counsel chosen by it that the payment of tax by Borrower would be unlawful or taxable to Lender or unenforceable or provide the basis for a defense of usury, then Lender shall have the option by written notice of not less than ninety (90) days to declare the Debt immediately due and payable.

(b) Borrower will not claim or demand or be entitled to any credit or credits against the Debt for any part of the Taxes or Other Charges assessed against the Property, or any part thereof, and no deduction shall otherwise be made or claimed from the assessed value of the Property, or any part thereof, for real estate tax purposes by reason of this Security Instrument or the Debt. If such claim, credit or deduction shall be required by law, Lender shall have the option, by written notice of not less than ninety (90) days, to declare the Debt immediately due and payable.

(c) If at any time the United States of America, any State thereof or any subdivision of any such State shall require revenue or other stamps to be affixed to the Note, this Security Instrument, or any of the other Loan Documents or impose any other tax or charge on the same, Borrower will pay for the same, with interest and penalties thereon, if any.

7.4 ESTOPPEL CERTIFICATES. (a) After written request by Lender, Borrower, within ten (10) days, shall furnish Lender or any proposed assignee an estoppel certificate in form and content as may be reasonably requested by Lender with respect to the status of the Loan and/or the Loan Documents.

(b) Borrower shall use commercially reasonable efforts to deliver to Lender, promptly upon request, duly executed estoppel certificates from any one or more commercial lessees as required by Lender attesting to such facts regarding the Lease as Lender may reasonably require, provided that (i) Borrower shall not be required to honor more than two requests made by Lender in any twelve month period and (ii) in no event shall Borrower be required to obtain estoppel certificates from lessees containing more information than that required to be certified pursuant to the terms of the related Lease.

7.5 REPLACEMENT DOCUMENTS. Upon receipt of an affidavit of an officer of Lender as to the loss, theft, destruction or mutilation of the Note or any other Loan Document which is not of public record, and, in the case of any such mutilation, upon surrender and cancellation of such Note or other Loan Document, Borrower will issue, in lieu thereof, a replacement Note or other Loan Document, dated the date of such lost, stolen, destroyed or mutilated Note or other Loan Document in the same principal amount thereof and otherwise of like tenor.

8 - DUE ON SALE/ENCUMBRANCE

8.1 LENDER RELIANCE. Borrower acknowledges that Lender has examined and relied on the experience of Borrower and its general partners, managing members, principals and (if Borrower is a trust) beneficial owners in owning and operating properties such as the Property in agreeing to make the Loan, and will continue to rely on Borrower's ownership of the Property as a means of maintaining the value of the Property as security for payment and performance of the Obligations. Borrower acknowledges that Lender has a valid interest in maintaining the value of the Property so as to ensure that, should Borrower default in the payment or the performance of the Obligations, Lender can recover the Debt by a sale of the Property.

8.2 NO SALE/ENCUMBRANCE. Except as otherwise expressly permitted in this Article 8, Borrower shall not sell, convey, mortgage, grant, bargain, encumber, pledge, assign, grant options with respect to, or otherwise transfer or dispose of (directly or indirectly, voluntarily or involuntarily, by operation of law or otherwise, and whether or not for consideration or of record) the Property or any part thereof or any legal or beneficial interest therein or permit any voluntary or involuntary sale or pledge of any interest in any Restricted Party (collectively, a "Transfer"), other than pursuant to Leases of space in the Improvements to tenants in accordance with the provisions of Section 3.6 hereof, without (i) the prior written consent of Lender and (ii) if a transfer of the Loan in connection with a Securitization (as hereinafter defined) has occurred, delivery to Lender of written confirmation from the Rating Agencies that the Transfer will not result in the downgrade, withdrawal or qualification of the then current ratings assigned to any Securities or the proposed rating of any Securities. For purposes hereof, the term "Restricted Party" shall mean Borrower, any Guarantor or Indemnitor, or any shareholder, partner, member or non member manager, or any direct or indirect legal or beneficial owner of, Borrower, or any shareholder, partner, member or non member manager of any of the foregoing.

8.3 SALE/ENCUMBRANCE DEFINED.

(a) A Transfer shall include, but not be limited to: (i) an installment sales agreement wherein Borrower agrees to sell the Property or any part thereof for a price to be paid in installments; (ii) an agreement by Borrower leasing all or a substantial part of the Property for other than actual occupancy by a space tenant thereunder or a sale, assignment or other transfer of, or the grant of a security interest in, Borrower's right, title and interest in and to any Leases or any Rents; (iii) if a Restricted Party is a corporation, any merger or consolidation or Transfer of such corporation's stock or the creation or issuance of new stock; (iv) if a Restricted Party is a limited or general partnership or joint venture, any merger or consolidation or the change, removal, resignation or addition of a general partner or the Transfer of the partnership interest of any general partner or any profits or proceeds relating to such partnership interest, or the Transfer of limited partnership interests or any profits or proceeds relating to such limited partnership interests or the creation or issuance of new limited partnership interests; (v) if a Restricted Party is a limited liability company, any merger or consolidation or the change, removal, resignation or addition of a managing member or non member manager (or if no managing member, any member) or the Transfer of the membership interest of a managing member (or if no managing member, any member) or any profits or proceeds relating to such membership interest, or the Transfer of non managing membership interests or the creation or issuance of new non managing membership interests; (vi) if a Restricted Party is a trust or nominee trust, any merger or consolidation or the Transfer of the legal or beneficial

interest in a Restricted Party or the creation or issuance of new legal or beneficial interests; or (vii) without limitation to the foregoing, any voluntary or involuntary sale, transfer, conveyance or pledge by any person or entity which directly or indirectly controls Borrower (by operation of law or otherwise) of its direct or indirect controlling interest in Borrower. Notwithstanding the foregoing, the following transfers shall not be deemed to be a Transfer requiring Lender's approval or payment of a transfer fee: (A) transfer by devise or descent or by operation of law upon the death of a partner, member or stockholder of any Restricted Party, (B) a sale, transfer or hypothecation of a partnership, shareholder or membership interest in any Restricted Party, whichever the case may be, by the current partner(s), shareholder(s) or member(s), as applicable, to an immediate family member (i.e., parents, spouses, siblings, children or grandchildren) of such partner, shareholder or member (or a trust for the benefit of any such persons); (C) the sale or pledge, in one or a series of transactions, of not more than forty nine percent (49%) of the stock in a Restricted Party; provided, however, no such transfers shall result in the change of voting control in the Restricted Party, and as a condition to each such transfer, Lender shall receive not less than thirty (30) days prior written notice of such proposed transfer; (D) the sale or pledge, in one or a series of transactions, of not more than forty nine percent (49%) of the limited partnership interests or non managing membership interests (as the case may be) in a Restricted Party, provided, however, as a condition of such transfer Lender shall receive not less than thirty (30) days prior written notice of such proposed transfer. Notwithstanding anything to the contrary contained in this Section 8.3, (1) a transfer of the ownership interests in Borrower, SCOLP, or Sponsor shall not (by attribution or otherwise) constitute a prohibited Transfer, provided that Sponsor maintains at least a 51% ultimate beneficial ownership interest in Borrower and no transfer of an interest in Borrower or SCOLP is made to a Prohibited Person, and (2) a conveyance or assignment of up to the entire equity ownership interest in Sponsor shall not be deemed to be (by attribution or otherwise) a prohibited Transfer.

(b) Notwithstanding anything to the contrary contained in this Article 8, and in addition to the transfers permitted hereunder, following the first anniversary of the date hereof, Lender's consent to a sale, assignment, or other transfer of the Property shall not be withheld provided that Lender receives thirty (30) days prior written notice of such transfer hereunder and no Event of Default has occurred and is continuing, and further provided that, the following additional requirements are satisfied:

(i) Borrower shall pay Lender a transfer fee equal to 0.5% of the outstanding principal balance of the Loan at the time of such transfer;

(ii) Borrower shall pay any and all out-of-pocket costs incurred in connection with the transfer of the Property (including, without limitation, Lender's counsel fees and disbursements and all recording fees, title insurance premiums and mortgage and intangible taxes and the fees and expenses of the Rating Agencies pursuant to clause (x) below);

(iii) The proposed transferee (the "Transferee") or Transferee's Principals (hereinafter defined) must have demonstrated expertise in owning and operating properties similar in location, size and operation to the Property, which expertise shall be reasonably determined by Lender. The term "Transferee's Principals" shall include Transferee's (A) managing members, general partners or principal shareholders and (B) such other members, partners or shareholders which directly or indirectly shall own a 15% or greater interest in Transferee;

(iv) Transferee and Transferee's Principals shall, as of the date of such transfer, have an aggregate net worth and liquidity reasonably acceptable to Lender;

(v) Transferee, Transferee's Principals and all other entities which may be owned or controlled directly or indirectly by Transferee's Principals ("Related Entities") must not have been a party to any bankruptcy proceedings, voluntary or involuntary, made an assignment for the benefit of creditors or taken advantage of any insolvency act, or any act for the benefit of debtors within seven (7) years prior to the date of the proposed transfer of the Property;

(vi) Transferee shall assume all of the obligations of Borrower under the Loan Documents in a manner satisfactory to Lender in all respects, including, without limitation, by entering into an assumption agreement in form and substance satisfactory to Lender and one or more Transferee's Principals having an aggregated net worth and liquidity reasonably acceptable to Lender shall execute in

favor of Lender a Guaranty of Recourse Obligations and Environmental Indemnity Agreement in form acceptable to Lender;

(vii) There shall be no material litigation or regulatory action pending or threatened against Transferee, Transferee's Principals or Related Entities which is not reasonably acceptable to Lender;

(viii) Transferee, Transferee's Principals and Related Entities shall not have defaulted under its or their obligations with respect to any other indebtedness in a manner which is not reasonably acceptable to Lender;

(ix) Transferee and Transferee's Principals must be able to satisfy all the covenants set forth in Sections 4.2 and 5.9 hereof, no Event of Default or event which, with the giving of notice, passage of time or both, shall constitute an Event of Default, shall otherwise occur as a result of such transfer, and Transferee and Transferee's Principals shall deliver (A) all organization documentation reasonably requested by Lender, which shall be reasonably satisfactory to Lender, and (B) all certificates, agreements and covenants reasonably required by Lender;

(x) The Rating Agencies selected by Lender shall confirm in a manner acceptable to Lender that such transfer shall not result in the downgrade, qualification or withdrawal of any ratings then assigned by such Rating Agencies to any class of Securities; and

(xi) Borrower shall deliver, at its sole cost and expense, an endorsement to the existing title policy insuring the Security Instrument, as modified by the assumption agreement, as a valid first lien on the Property and naming the Transferee as owner of the Property, which endorsement shall insure that, as of the date of the recording of the assumption agreement, the Property shall not be subject to any additional exceptions or liens other than those contained in the title policy issued on the date hereof.

(c) Immediately upon a transfer of the Property to such Transferee and the satisfaction of all of the above requirements, the named Borrower herein and any affiliated Guarantor or Indemnitor shall be released from all liability under this Security Instrument, the Note and the other Loan Documents accruing after such transfer. The foregoing release shall be effective upon the date of such transfer, but Lender agrees to provide written evidence thereof reasonably requested by Borrower.

8.4 **LENDER'S RIGHTS.** Except as otherwise expressly provided in Section 8.3(b) hereinabove, Lender reserves the right to condition the consent required hereunder upon a modification of the terms hereof and on assumption of the Note, this Security Instrument and the other Loan Documents as so modified by the proposed transferee, payment of a transfer fee of one percent (1%) of the principal balance of the Note and all of Lender's expenses incurred in connection with such transfer, the approval by Lender of the proposed transferee, the proposed transferee's continued compliance with the representations, warranties and covenants set forth in Sections 4.2 and 5.9 hereof, or such other conditions as Lender shall determine in its sole discretion to be in the interest of Lender. Lender shall not be required to demonstrate any actual impairment of its security or any increased risk of default hereunder in order to declare the Debt immediately due and payable upon Borrower's sale, conveyance, mortgage, grant, bargain, encumbrance, pledge, assignment, or transfer of the Property without Lender's consent. This provision shall apply to every sale, conveyance, mortgage, grant, bargain, encumbrance, pledge, assignment, or transfer of the Property regardless of whether voluntary or not, or whether or not Lender has consented to any previous sale, conveyance, mortgage, grant, bargain, encumbrance, pledge, assignment, or transfer of the Property.

9 - DEFAULT

9.1 **EVENTS OF DEFAULT.** The occurrence of any one or more of the following events shall constitute an "Event of Default": (a) if any portion of the Debt is not paid on the date the same is due or if the entire Debt is not paid on or before the Maturity Date; (b) if any of the Taxes or Other Charges is not paid prior to the date the same becomes delinquent except to the extent sums sufficient to pay such Taxes and Other Charges have been deposited with Lender in accordance with the terms of this Security Instrument; (c) if the Policies are not kept in full force and effect, or if the Policies are not delivered to Lender upon request or Borrower has not

delivered evidence of the renewal of the Policies thirty (30) days prior to their expiration as provided in Section 3.2(e); (d) if Borrower violates in any material respect any of the provisions of Sections 3.6 or 4.2 or Articles 8 or 11; (e) if any representation or warranty of Borrower or any Indemnitor or Guarantor, or any general partner or managing member of any of the foregoing made in the Loan Documents or any other certificate, report or financial statement delivered to Lender by Borrower or on behalf of Borrower in connection with the Loan shall have been false or misleading in any material respect when made; (f) if (i) Borrower or any general partner or managing member of Borrower shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, adjustment, liquidation, dissolution or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets, or Borrower or any general partner or managing member of Borrower shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against Borrower or any general partner or managing member of Borrower any case, proceeding or other action of a nature referred to in clause (i) above which (A) results in the entry of an order for relief or any such adjudication or appointment or (B) remains undismissed or undischarged for a period of sixty (60) days; or (iii) there shall be commenced against Borrower or any general partner or managing member of Borrower any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets which results in the entry of any order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within sixty (60) days from the entry thereof; or (iv) Borrower or any general partner or managing member of Borrower shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii), or (iii) above; or (v) Borrower or any general partner or managing member of Borrower shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due; (g) if Borrower shall be in default beyond any applicable notice or cure period under any other mortgage, deed of trust, deed to secure debt or other security agreement covering any part of the Property whether it be superior or junior in lien to this Security Instrument; (h) if the Property becomes subject to any mechanic's, materialman's or other lien other than a lien for local real estate taxes and assessments not then delinquent and the lien shall remain undischarged of record (by payment, bonding or otherwise) for a period of thirty (30) days after Borrower has first received notice thereof; (i) if any federal tax lien is filed against the Property and same is not discharged of record (by payment, bonding or otherwise) within thirty (30) days after Borrower has first received notice thereof; (j) if within ten (10) days of Lender's demand therefor Borrower fails to provide Lender with the written certification and evidence referred to in Section 5.9 hereof or Borrower fails to comply with its obligations under Section 16.1; (k) if Borrower or any other Indemnitor shall fail to perform any of its obligations under that certain environmental indemnity agreement of even date herewith (the "Environmental Indemnity") after the expiration of applicable notice and grace periods, if any; (l) if any default beyond any applicable notice or cure period occurs under any guaranty or indemnity executed in connection herewith and such default continues after the expiration of applicable grace periods, if any; or (m) if for more than ten (10) days after notice from Lender, Borrower shall continue to be in default under any other term, covenant or condition of the Note, this Security Instrument or the other Loan Documents in the case of any default which can be cured by the payment of a sum of money or for thirty (30) days after notice from Lender in the case of any other default, provided that if such default cannot reasonably be cured within such thirty (30) day period and Borrower shall have commenced to cure such default within such thirty (30) day period and thereafter diligently and expeditiously proceeds to cure the same, such thirty (30) day period shall be extended for so long as it shall require Borrower in the exercise of due diligence to cure such default.

10 - RIGHTS AND REMEDIES

10.1 **REMEDIES.** Upon the occurrence of any Event of Default, Borrower agrees that Lender may take such action, without notice or demand, as it deems advisable to protect and enforce its rights against Borrower and in and to the Property, including, but not limited to, the following actions, each of which may be pursued concurrently or otherwise, at such time and in such order as Lender may determine, in its sole discretion, without impairing or otherwise affecting the other rights and remedies of Lender: (a) declare the entire unpaid Debt to be immediately due and payable; (b) with or without entry, institute proceedings, judicial or otherwise, for the complete or partial foreclosure of this Security Instrument under any applicable provision of law in which case the Property or any interest therein may be sold for cash or upon credit in one or more parcels or in several interests or portions and in any order or manner, any partial foreclosure to be subject to the continuing lien and

security interest of this Security Instrument for the balance of the Debt not then due, unimpaired and without loss of priority; (c) sell for cash or upon credit the Property or any part thereof and all estate, claim, demand, right, title and interest of Borrower therein and rights of redemption thereof, pursuant to power of sale, judicial decree or otherwise, at one or more sales, as an entirety or in one or more parcels; (d) institute an action, suit or proceeding in equity for the specific performance of any covenant, condition or agreement contained herein, in the Note or in the other Loan Documents; (e) recover judgment on the Note either before, during or after any proceedings for the enforcement of this Security Instrument or the other Loan Documents; (f) apply for the appointment of a receiver, trustee, liquidator or conservator of the Property, without notice and without regard for the adequacy of the security for the Debt and without regard for the solvency of Borrower, any Guarantor, Indemnitor or of any person, firm or other entity liable for the payment of the Debt; (g) enter into or upon the Property, either personally or by its agents, nominees or attorneys and dispossess Borrower and its agents and servants therefrom, without liability for trespass, damages or otherwise and exclude Borrower and its agents or servants wholly therefrom, and take possession of all books, records and accounts relating thereto and Borrower agrees to surrender possession of the Property and of such books, records and accounts to Lender upon demand, and thereupon Lender may exercise all rights and powers of Borrower with respect to the Property including, without limitation, (1) the right to use, operate, manage, control, insure, maintain, repair, restore and otherwise deal with all and every part of the Property and conduct the business thereat; (2) the right to make or complete any construction, alterations, additions, renewals, replacements and improvements to or on the Property as Lender deems advisable; (3) the right to make, cancel, enforce or modify Leases, obtain and evict tenants, and demand, sue for, collect and receive all Rents of the Property and every part thereof; (h) require Borrower to pay monthly in advance to Lender, or any receiver appointed to collect the Rents, the fair and reasonable rental value for the use and occupation of such part of the Property as may be occupied by Borrower; (i) require Borrower to vacate and surrender possession of the Property to Lender or to such receiver and, in default thereof, Borrower may be evicted by summary proceedings or otherwise; (j) apply the receipts from the Property, any Deposits and interest thereon and/or any unearned Insurance Premiums paid to Lender upon the surrender of any Policies maintained pursuant to Article 3 hereof (it being agreed that Lender shall have the right to surrender such Policies upon the occurrence of an Event of Default), to the payment of the Obligations, in such order, priority and proportions as Lender shall deem appropriate in its sole discretion; or (k) exercise any and all rights and remedies granted to a secured party upon default under the Uniform Commercial Code, including, without limiting the generality of the foregoing: (1) the right to take possession of the Personal Property or any part thereof, and to take such other measures as Lender may deem necessary for the care, protection and preservation of the Personal Property, and (2) request Borrower at its expense to assemble the Personal Property and make it available to Lender at a convenient place acceptable to Lender. Any notice of sale, disposition or other intended action by Lender with respect to the Personal Property sent to Borrower in accordance with the provisions hereof at least five (5) days prior to such action, shall constitute commercially reasonable notice to Borrower. Upon any foreclosure or other sale of the Property pursuant to the terms hereof, Lender may bid for and purchase the Property and shall be entitled to apply all or any part of the secured indebtedness as a credit against the purchase price.

In the event of a sale, by foreclosure, power of sale, or otherwise, of less than all of the Property, this Security Instrument shall continue as a lien and security interest on the remaining portion of the Property unimpaired and without loss of priority. Notwithstanding the provisions of this Section 10.1 to the contrary, if any Event of Default as described in clause (i) or (ii) of Subsection 9.1(f) shall occur, the entire unpaid Debt shall be automatically due and payable, without any further notice, demand or other action by Lender.

10.2 APPLICATION OF PROCEEDS. The purchase money, proceeds and avails of any disposition of the Property, or any part thereof, or any other sums collected by Lender pursuant to the Note, this Security Instrument or the other Loan Documents, may be applied by Lender to the payment of the Debt in such priority and proportions as Lender in its discretion shall deem proper, with the remainder, if any, to be disbursed to Borrower or to the person or persons legally entitled thereto in accordance with the requirements of Applicable Law.

10.3 RIGHT TO CURE DEFAULTS. Upon the occurrence of any Event of Default, Lender may, but without any obligation to do so and without notice to or demand on Borrower and without releasing Borrower from any obligation hereunder or curing or being deemed to have cured any default hereunder, make or do the same in such manner and to such extent as Lender may deem necessary to protect the security hereof. Lender is authorized to enter upon the Property for such purposes, or appear in, defend, or bring any action or

proceeding to protect its interest in the Property or to foreclose this Security Instrument or collect the Debt, and the cost and expense thereof (including reasonable attorneys' fees to the extent permitted by law), with interest as provided in this Section 10.3, shall constitute a portion of the Debt and shall be due and payable to Lender upon demand. All such costs and expenses incurred by Lender in remedying such Event of Default or such failed payment or act or in appearing in, defending, or bringing any such action or proceeding shall bear interest at the Default Rate (as defined in the Note), for the period after notice from Lender that such cost or expense was incurred to the date of payment to Lender. All such costs and expenses incurred by Lender together with interest thereon calculated at the Default Rate shall be deemed to constitute a portion of the Debt and be secured by this Security Instrument and the other Loan Documents and shall be immediately due and payable upon demand by Lender therefor.

10.4 ACTIONS AND PROCEEDINGS. Lender has the right to appear in and defend any action or proceeding brought with respect to the Property and to bring any action or proceeding, in the name and on behalf of Borrower, which Lender, in its discretion, decides should be brought to protect its interest in the Property.

10.5 RECOVERY OF SUMS REQUIRED TO BE PAID. Lender shall have the right from time to time to take action to recover any sum or sums which constitute a part of the Debt as the same become due, without regard to whether or not the balance of the Debt shall be due, and without prejudice to the right of Lender thereafter to bring an action of foreclosure, or any other action, for a default or defaults by Borrower existing at the time such earlier action was commenced.

10.6 EXAMINATION OF BOOKS AND RECORDS. Lender, its agents, accountants and attorneys shall have the right to examine the records, books, management and other papers of Borrower which reflect upon its financial condition, at the Property or at any other office where the books and records are located. Lender and its agents shall have the right to make copies and extracts from the foregoing records and other papers. In addition, Lender, its agents, accountants and attorneys shall have the right to examine and audit the books and records of Borrower pertaining to the income, expenses and operation of the Property during reasonable business hours at any office of Borrower where the books and records are located. This Section 10.6 shall apply throughout the term of the Note and without regard to whether an Event of Default has occurred or is continuing. Lender shall bear the cost of any examination, audit or copying under this Section 10.6 unless such actions are taken in connection with an Event of Default.

10.7 OTHER RIGHTS, ETC. (a) The failure of Lender to insist upon strict performance of any term hereof shall not be deemed to be a waiver of any term of this Security Instrument. Borrower shall not be relieved of Borrower's obligations hereunder by reason of (i) the failure of Lender to comply with any request of Borrower, any Guarantor or any Indemnitee to take any action to foreclose this Security Instrument or otherwise enforce any of the provisions hereof or of the Note or the other Loan Documents, (ii) the release, regardless of consideration, of the whole or any part of the Property, or of any person liable for the Debt or any portion thereof, or (iii) any agreement or stipulation by Lender extending the time of payment or otherwise modifying or supplementing the terms of the Note, this Security Instrument or the other Loan Documents.

(b) It is agreed that the risk of loss or damage to the Property is on Borrower, and Lender shall have no liability whatsoever for decline in value of the Property, for failure to maintain the Policies, or for failure to determine whether insurance in force is adequate as to the amount of risks insured. Possession by Lender shall not be deemed an election of judicial relief, if any such possession is requested or obtained, with respect to any Property or collateral not in Lender's possession.

(c) Lender may resort for the payment of the Debt to any other security held by Lender in such order and manner as Lender, in its discretion, may elect. Lender may take action to recover the Debt, or any portion thereof, or to enforce any covenant hereof without prejudice to the right of Lender thereafter to foreclose this Security Instrument. The rights of Lender under this Security Instrument shall be separate, distinct and cumulative and none shall be given effect to the exclusion of the others. No act of Lender shall be construed as an election to proceed under any one provision herein to the exclusion of any other provision. Lender shall not be limited exclusively to the rights and remedies herein stated but shall be entitled to every right and remedy now or hereafter afforded at law or in equity.

10.8 RIGHT TO RELEASE ANY PORTION OF THE PROPERTY. Lender may release any portion of the Property for such consideration as Lender may require without, as to the remainder of the Property, in any way impairing or affecting the lien or priority of this Security Instrument, or improving the position of any subordinate lienholder with respect thereto, except to the extent that the obligations hereunder shall have been reduced by the actual monetary consideration, if any, received by Lender for such release, and may accept by assignment, pledge or otherwise any other property in place thereof as Lender may require without being accountable for so doing to any other lienholder. This Security Instrument shall continue as a lien and security interest in the remaining portion of the Property.

10.9 INTENTIONALLY DELETED.

10.10 RECOURSE AND CHOICE OF REMEDIES. Notwithstanding any other provision of this Security Instrument, including but not limited to Article 13 hereof, Lender and other Indemnified Parties (defined in Section 11.1 below) are entitled to enforce the obligations of Borrower, Guarantor and Indemnitor contained in Sections 11.2 and 11.3 without first resorting to or exhausting any security or collateral and without first having recourse to the Note or any of the Property, through foreclosure or acceptance of a deed in lieu of foreclosure or otherwise, and in the event Lender commences a foreclosure action against the Property, Lender is entitled to pursue a deficiency judgment with respect to such obligations against Borrower, Guarantor and Indemnitor. The provisions of Sections 11.2 and 11.3 are exceptions to any non-recourse or exculpation provisions in the Note, this Security Instrument or the other Loan Documents, and Borrower, Guarantor and Indemnitor are fully and personally liable for the obligations pursuant to Sections 11.2 and 11.3. The liability of Borrower, Guarantor and Indemnitor for the obligations pursuant to Sections 11.2 and 11.3 are not limited to the original principal amount of the Note. Notwithstanding the foregoing, nothing herein shall inhibit or prevent Lender from foreclosing pursuant to this Security Instrument or exercising any other rights and remedies pursuant to the Note, this Security Instrument and the other Loan Documents, whether simultaneously with foreclosure proceedings or in any other sequence. A separate action or actions may be brought and prosecuted against Borrower, whether or not action is brought against any other person or entity or whether or not any other person or entity is joined in the action or actions.

10.11 RIGHT OF ENTRY. Lender and its agents shall have the right to enter and inspect the Property at all reasonable times.

10.12 DEFAULT INTEREST AND LATE CHARGES. Borrower acknowledges that, without limitation to any of Lender's rights or remedies set forth in this Security Instrument, Lender has the right following an Event of Default to demand interest on the principal amount of the Note at the Default Rate and late payment charges in accordance with the terms of the Note.

11 - INDEMNIFICATION

11.1 GENERAL INDEMNIFICATION. Borrower shall, at its sole cost and expense, protect, defend, indemnify, release and hold harmless the Indemnified Parties for, from and against any and all claims, suits, liabilities (including, without limitation, strict liabilities), actions, proceedings, obligations, debts, damages, losses, costs, expenses, diminutions in value, fines, penalties, charges, fees, expenses, judgments, awards, amounts paid in settlement, punitive damages, foreseeable and unforeseeable consequential damages, of whatever kind or nature (including but not limited to attorneys' fees and other costs of defense) (the "Losses") imposed upon or incurred by or asserted against any Indemnified Parties and directly or indirectly arising out of or in any way relating to any one or more of the following, except to the extent the following relate solely to an Indemnified Party's gross negligence or willful misconduct: (a) any Event of Default; (b) any and all lawful action that may be taken by Lender in connection with the enforcement of the provisions of this Security Instrument or the Note or any of the other Loan Documents, whether or not suit is filed in connection with same, or in connection with Borrower, any Guarantor or Indemnitor becoming a party to a voluntary or involuntary federal or state bankruptcy, insolvency or similar proceeding; (c) any accident, injury to or death of persons or loss of or damage to property occurring in, on or about the Property or any part thereof or on the adjoining sidewalks, curbs, adjacent property or adjacent parking areas, streets or ways; (d) any use, nonuse or condition in, on or about the Property or any part thereof; (e) any failure on the part of Borrower to perform or be in compliance with any of the terms of this Security Instrument; (f) the failure of any person to file timely with the

Internal Revenue Service an accurate Form 1099-B, Statement for Recipients of Proceeds from Real Estate, Broker and Barter Exchange Transactions, which may be required in connection with the Security Instrument, or to supply a copy thereof in a timely fashion to the recipient of the proceeds of the transaction in connection with which this Security Instrument is made; (g) any failure of the Property to be in compliance with any Applicable Laws; (h) the enforcement by any Indemnified Party of the provisions of this Article 11; (i) the payment of any commission, charge or brokerage fee to anyone which may be payable by any party other than Lender in connection with the funding of the Loan; or (j) any misrepresentation made by Borrower in this Security Instrument or any other Loan Document. Any amounts payable to Lender by reason of the application of this Section 11.1 shall become immediately due and payable and shall bear interest at the Default Rate from the date loss or damage is sustained by Lender until paid. For purposes of this Article 11, the term "Indemnified Parties" means Lender and any person or entity who is or will have been involved in the origination of the Loan, any person or entity who is or will have been involved in the servicing of the Loan, any person or entity in whose name the encumbrance created by this Security Instrument is or will have been recorded and persons and entities who may hold or acquire or will have held a full or partial interest in the Loan, including, but not limited to, custodians, trustees and other fiduciaries who hold or have held a full or partial interest in the Loan.

11.2 MORTGAGE AND/OR INTANGIBLE TAX. Borrower shall, at its sole cost and expense, protect, defend, indemnify, release and hold harmless the Indemnified Parties from and against any and all Losses imposed upon or incurred by or asserted against any Indemnified Parties and directly or indirectly arising out of or in any way relating to any tax on the making and/or recording of this Security Instrument, the Note or any of the other Loan Documents.

11.3 ERISA INDEMNIFICATION. Borrower shall, at its sole cost and expense, protect, defend, indemnify, release and hold harmless the Indemnified Parties from and against any and all Losses (including, without limitation, attorneys' fees and costs incurred in the investigation, defense, and settlement of Losses incurred in correcting any prohibited transaction or in the sale of a prohibited loan, and in obtaining any individual prohibited transaction exemption under ERISA that may be required, in Lender's sole discretion) that Lender may incur, directly or indirectly, as a result of a default under Section 5.9.

11.4 DUTY TO DEFEND; ATTORNEYS' FEES AND OTHER FEES AND EXPENSES. Upon written request by any Indemnified Party, Borrower shall defend such Indemnified Party (if requested by any Indemnified Party, in the name of the Indemnified Party) by attorneys and other professionals approved by the Indemnified Parties. Notwithstanding the foregoing, any Indemnified Parties may, in their sole and absolute discretion, engage their own attorneys and other professionals to defend or assist them, and, at the option of Indemnified Parties, their attorneys shall control the resolution of claim or proceeding. Upon demand, Borrower shall pay or, in the sole and absolute discretion of the Indemnified Parties, reimburse, the Indemnified Parties for the payment of reasonable fees and disbursements of attorneys, engineers, environmental consultants, laboratories and other professionals in connection therewith.

12 - WAIVERS

12.1 WAIVER OF COUNTERCLAIM. Borrower hereby waives the right to assert a counterclaim, other than a mandatory or compulsory counterclaim, in any action or proceeding brought against it by Lender arising out of or in any way connected with this Security Instrument, the Note, any of the other Loan Documents, or the Obligations. Any assignee of Lender's interest in this Security Instrument and the other Loan Documents shall take the same free and clear of all offsets, counterclaims or defenses which are unrelated to such documents which Borrower may otherwise have against any assignor of such documents, and no such unrelated counterclaim or defense shall be interposed or asserted by Borrower in any action or proceeding brought by any such assignee upon such documents, and any such rights to interpose or assert any such unrelated offset, counterclaim or defense in any such action or proceeding is hereby expressly waived by Borrower.

12.2 MARSHALLING AND OTHER MATTERS. Borrower hereby waives, to the extent permitted by law, the benefit of all appraisal, valuation, stay, extension, reinstatement and redemption laws now or hereafter in force and all rights of marshalling in the event of any sale hereunder of the Property or any part thereof or any interest therein. Further, Borrower hereby expressly waives any and all rights of redemption from sale under any order or decree of foreclosure of this Security Instrument on behalf of Borrower, and on

behalf of each and every person acquiring any interest in or title to the Property subsequent to the date of this Security Instrument and on behalf of all persons to the extent permitted by applicable law.

12.3 **WAIVER OF NOTICE.** Borrower shall not be entitled to any notices of any nature whatsoever from Lender except with respect to matters for which this Security Instrument specifically and expressly provides for the giving of notice by Lender to Borrower and except with respect to matters for which Lender is required by applicable law to give notice, and Borrower hereby expressly waives the right to receive any notice from Lender with respect to any matter for which this Security Instrument does not specifically and expressly provide for the giving of notice by Lender to Borrower.

12.4 **SOLE DISCRETION OF LENDER.** Wherever pursuant to this Security Instrument (a) Lender exercises any right given to it to approve or disapprove, (b) any arrangement or term is to be satisfactory to Lender, or (c) any other decision or determination is to be made by Lender, the decision of Lender to approve or disapprove, all decisions that arrangements or terms are satisfactory or not satisfactory and all other decisions and determinations made by Lender, shall be in the sole and absolute discretion of Lender and shall be final and conclusive, except as may be otherwise expressly and specifically provided herein.

12.5 **SURVIVAL.** The indemnifications made pursuant to Article 11 shall continue indefinitely in full force and effect and shall survive and shall in no way be impaired by: any satisfaction or other termination of this Security Instrument, any assignment or other transfer of all or any portion of this Security Instrument or Lender's interest in the Property (but, in such case, shall benefit both Indemnified Parties and any assignee or transferee), any exercise of Lender's rights and remedies pursuant hereto including but not limited to foreclosure or acceptance of a deed in lieu of foreclosure, any exercise of any rights and remedies pursuant to the Note or any of the other Loan Documents, any transfer of all or any portion of the Property (whether by Borrower or by Lender following foreclosure or acceptance of a deed in lieu of foreclosure or at any other time), any amendment to this Security Instrument, the Note or the other Loan Documents, and any act or omission that might otherwise be construed as a release or discharge of Borrower from the obligations pursuant hereto.

12.6 **WAIVER OF TRIAL BY JURY. BORROWER HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, THE RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER IN CONTRACT, TORT OR OTHERWISE, RELATING DIRECTLY OR INDIRECTLY TO THE LOAN, THE APPLICATION FOR THE LOAN, THE NOTE, THIS SECURITY INSTRUMENT OR THE OTHER LOAN DOCUMENTS OR ANY ACTS OR OMISSIONS OF LENDER, ITS OFFICERS, EMPLOYEES, DIRECTORS OR AGENTS IN CONNECTION THEREWITH.**

13 - EXCULPATION

13.1 **EXCULPATION.** Except as otherwise provided in Section 13.1 below, in the Note or in the other Loan Documents, Lender shall not enforce the liability and obligation of Borrower to perform and observe the obligations contained in the Note or this Security Instrument by any action or proceeding wherein a money judgment shall be sought against Borrower (or against its general partners, without regard to the provisions of Section 13.1 below), except that Lender may sell the Property under any power of sale or right of non-judicial foreclosure or bring a foreclosure action, confirmation action, action for specific performance or other appropriate action or proceeding to enable Lender to enforce and realize upon the Note, this Security Instrument, the other Loan Documents, and the interest in the Property, the Rents and any other collateral given to Lender created by the Note, this Security Instrument and the other Loan Documents; provided, however, that any judgment in any such action or proceeding shall be enforceable against Borrower (but not the general partners of Borrower) only to the extent of Borrower's interest in the Property, in the Rents and in any other collateral given to Lender. Lender, by accepting the Note and this Security Instrument, agrees that it shall not, except as otherwise provided in Section 10.10, sue for, seek or demand any deficiency judgment against Borrower or its general partners in any such action or proceeding, under or by reason of or under or in connection with the Note, the other Loan Documents or this Security Instrument.

13.2 **RESERVATION OF CERTAIN RIGHTS.** The provisions of Section 13.1 shall not, however, (a) constitute a waiver, release or impairment of any obligation evidenced or secured by the Note, the

other Loan Documents or this Security Instrument; (b) Intentionally Deleted; (c) impair the right of Lender to name Borrower as a party defendant in any action or suit for judicial foreclosure and sale under this Security Instrument; (d) affect the validity or enforceability of any indemnity, guaranty, master lease or similar instrument made in connection with the Note, this Security Instrument, or the other Loan Documents; (e) impair the right of Lender to obtain the appointment of a receiver; (f) impair the enforcement of the Assignment of Leases and Rents executed in connection herewith; (g) impair the right of Lender to obtain a deficiency judgment or judgment on the Note against Borrower if necessary to obtain any insurance proceeds or condemnation awards to which Lender would otherwise be entitled under this Security Instrument, provided, however, Lender shall only enforce such judgment against the insurance proceeds and/or condemnation awards; or (h) impair the right of Lender to enforce the provisions of Sections 10.10, 11.2 and 11.3 of this Security Instrument.

13.3 **EXCEPTIONS TO EXCULPATION.** Notwithstanding the provisions of this Article to the contrary, Borrower shall be personally liable to Lender for the Losses it incurs due to: (i) fraud or intentional, material misrepresentation by Borrower, SCOLP, or any of their agents, principals, officers or employees, (ii) Borrower's misapplication or misappropriation of insurance proceeds, condemnation awards, or tenant security deposits, if, and to the extent Borrower or its agents have the right and ability to control the disbursement of such proceeds, awards or deposit; (iii) Rents received by Borrower after the occurrence of an Event of Default, provided that such Rents (y) are not applied towards either the Monthly Payment or the ordinary and necessary operating expenses of the Property and Borrower has provided Lender with evidence of same in a form acceptable to Lender, or (z) are paid to Lender, (iv) so long as Borrower has possession and control of the Property, Borrower's failure to pay (except to the extent that sums sufficient to pay such amounts have been deposited in escrow with Lender pursuant to the terms of this Security Instrument) Taxes or other liens with priority over Lender's lien on the Property or other liens established under the Loan Documents, to the extent funds are available from the operation of the Property for such purpose, or from escrow deposits made to Lender for such purpose (regardless of whether Lender uses such funds to pay such Taxes or other liens), (v) damage to the Property arising from (y) the intentional misconduct or gross negligence of Borrower, SCOLP, or any of their principals, officers, agents or employees, or (z) any removal of the Property in violation of the Loan Documents, or (vi) Borrower's or any other Indemnitee's failure to comply with the provisions of the Environmental Indemnity.

13.4 **RECOURSE.** Notwithstanding the foregoing, the agreement of Lender not to pursue recourse liability as set forth in Section 13.1 above SHALL BECOME NULL AND VOID and shall be of no further force and effect (i) in the event of Borrower's default under Sections 4.2 or 8.2 of this Security Instrument, or (ii) if the Property or any part thereof shall become an asset in (1) a voluntary bankruptcy or insolvency proceeding, or (2) an involuntary bankruptcy or insolvency proceeding (A) which is commenced by any party controlling, controlled by or under common control with Borrower (which shall include, but not be limited to, any creditor or claimant acting in concert with Borrower or any the foregoing parties) (the "Borrowing Group") or (B) in which any member of the Borrowing Group objects to a motion by Lender for relief from any stay or injunction from the foreclosure of this Security Instrument or any other remedial action permitted hereunder or under the Note or the other Loan Documents.

13.5 **BANKRUPTCY CLAIMS.** Nothing herein shall be deemed to be a waiver of any right which Lender may have under Sections 506(a), 506(b), 1111(b) or any other provisions of the Bankruptcy Code to file a claim for the full amount of the Debt or to require that all collateral shall continue to secure all of the Debt owing to Lender in accordance with the Note, this Security Instrument and the other Loan Documents.

14 - NOTICES

14.1 **NOTICES.** All notices or other written communications hereunder shall be deemed to have been properly given (i) upon delivery, if delivered in person, (ii) one (1) Business Day (defined below) after having been deposited for overnight delivery with any reputable overnight courier service, or (iii) three (3) Business Days after having been deposited in any post office or mail depository regularly maintained by the U.S. Postal Service and sent by registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

If to Borrower: Sea Breeze Limited Partnership
27777 Franklin Road, Suite 200
Southfield, Michigan 48034
Attention: Jonathan M. Colman

With a copy to: Jaffe, Raitt, Heuer & Weiss, P.C.
27777 Franklin Road, Suite 2500
Southfield, Michigan 48034
Attention: Arthur A. Weiss

If to Lender: Lehman Brothers Bank, FSB
399 Park Avenue, 8th Floor
New York, New York 10022
Attention: John Herman

With a copy to: Stroock & Stroock & Lavan LLP
180 Maiden Lane
New York, New York 10038
Attention: William Campbell, Esq.

or addressed as such party may from time to time designate by written notice to the other parties.

Either party by notice to the other may designate additional or different addresses for subsequent notices or communications.

For purposes of this Subsection, "Business Day" shall mean a day on which commercial banks are not authorized or required by law to close in New York, New York.

15 - APPLICABLE LAW

15.1 CHOICE OF LAW. This Security Instrument shall be governed, construed, applied and enforced in accordance with the laws of the state in which the Property is located and the applicable laws of the United States of America.

15.2 USURY LAWS. This Security Instrument and the Note are subject to the express condition that at no time shall Borrower be obligated or required to pay interest on the Debt at a rate which could subject the holder of the Note to either civil or criminal liability as a result of being in excess of the maximum interest rate which Borrower is permitted by applicable law to contract or agree to pay. If by the terms of this Security Instrument or the Note, Borrower is at any time required or obligated to pay interest on the Debt at a rate in excess of such maximum rate, the rate of interest under the Security Instrument and the Note shall be deemed to be immediately reduced to such maximum rate and the interest payable shall be computed at such maximum rate and all prior interest payments in excess of such maximum rate shall be applied and shall be deemed to have been payments in reduction of the principal balance of the Note. All sums paid or agreed to be paid to Lender for the use, forbearance, or detention of the Debt shall, to the extent permitted by applicable law, be amortized, prorated, allocated, and spread throughout the full stated term of the Note until payment in full so that the rate or amount of interest on account of the Debt does not exceed the maximum lawful rate of interest from time to time in effect and applicable to the Debt for so long as the Debt is outstanding.

15.3 PROVISIONS SUBJECT TO APPLICABLE LAW. All rights, powers and remedies provided in this Security Instrument may be exercised only to the extent that the exercise thereof does not violate any applicable provisions of law and are intended to be limited to the extent necessary so that they will not render this Security Instrument invalid, unenforceable or not entitled to be recorded, registered or filed under the

provisions of any applicable law. If any term of this Security Instrument or any application thereof shall be invalid or unenforceable, the remainder of this Security Instrument and any other application of the term shall not be affected thereby.

16 - SECONDARY MARKET

16.1 TRANSFER OF LOAN. Lender may, at any time, sell, transfer or assign the Note, this Security Instrument and the other Loan Documents, and any or all servicing rights with respect thereto, or grant participations therein or issue mortgage pass-through certificates or other securities (the "Securities") evidencing a beneficial interest in a rated or unrated public offering or private placement (such process, a "Securitization"). Lender may forward to each purchaser, transferee, assignee, servicer, participant, investor in such Securities or any rating agency (a "Rating Agency") rating such Securities (all of the foregoing entities collectively referred to as the "Investor") and each prospective Investor, all documents and information which Lender now has or may hereafter acquire relating to the Debt and to Borrower, any Guarantor, any Indemnitor and the Property, whether furnished by Borrower, any Guarantor, any Indemnitor or otherwise, as Lender determines necessary or desirable. Borrower shall promptly furnish and Borrower, any Guarantor and any Indemnitor consent to Lender furnishing to such Investors or such prospective Investors or Rating Agency any and all available information concerning the Property, the Leases, the financial condition of Borrower, any Guarantor and any Indemnitor as may be reasonably requested by Lender, any Investor or any prospective Investor or Rating Agency (including, but not limited to, copies of information previously supplied to Lender) in connection with any sale, transfer or participation interest. In addition to any other obligations Borrower may have under this Section 16.1, Borrower, SCOLP and any Guarantor or Indemnitor agree to cooperate with Lender and its Affiliates in connection with any transfer made or any Securities created pursuant to this Section, including: (a) making or causing to be made changes or modifications to (i) the Loan Documents, including (1) bifurcating the Note into two or more notes and/or splitting this Security Instrument into two or more mortgages, deeds of trust or deeds to secure debt (as the case may be) of the same or different priorities or otherwise as determined by and acceptable to Lender or (2) dividing the Note into multiple components corresponding to tranches of certificates to be issued in a Securitization each having a notional balance and an interest rate determined by Lender; provided, however, (1) in the event any new promissory notes evidencing the Loan are prepared and executed in connection with such a separation, Lender shall promptly return the original Note to Borrower and (2) Borrower shall not be required to modify or amend any Loan Document if the overall effect of such modification or amendment would (x) except as the result of an Event of Default and the acceleration of the Loan, change the weighted average interest rate, the maturity, the application of payments or the amortization of principal set forth in the Note, (y) modify or amend any other term of the Note or the other Loan Documents in a manner adverse to Borrower in any material respect, or (z) modify the manner in which Borrower and/or its Affiliates operate the Property or conduct their business operations, (ii) the organizational documents of Borrower and each Affiliate of Borrower required to be a Special Purpose Entity pursuant to the terms of this Security Instrument, (iii) any customary opinion letters, and (iv) other documentation as may be requested by Lender or a Rating Agency; (b) obtaining ratings from two or more Rating Agencies; (c) reviewing sections specifically identified by Lender of prepared offering materials relating to the Property, Borrower, SCOLP, any Guarantor or Indemnitor, and making certain representations and warranties as may be reasonably requested by Lender with regard to such specifically identified sections of offering materials, and consistent with the facts covered by such representations and warranties as they exist on the date thereof; provided, however, such obligation shall not create any obligation on the part of Borrower to update the effective date of any representations made by Borrower in connection with the origination of the Loan; (d) promptly delivering updated information on Borrower, SCOLP, any Guarantor or Indemnitor and the Property; (e) participating (including senior management of Borrower, SCOLP and any Guarantor or Indemnitor) in bank, Rating Agency or investor meetings if requested by Lender; and (f) providing Lender and its Affiliates with customary indemnifications regarding misstatements or omissions of material facts. Notwithstanding the foregoing, Borrower shall not be required to incur any costs of Lender or any other party that is not an Affiliate of Borrower in connection with the cooperation of Borrower, SCOLP and any Guarantor or Indemnitor contemplated by this Section 16.1.

17 - COSTS

17.1 PERFORMANCE AT BORROWER'S EXPENSE. Borrower acknowledges and confirms that Lender shall be entitled to impose certain administrative processing and/or commitment fees in connection

with: (a) extensions, renewals, modifications, amendments and terminations of the Loan Documents requested by Borrower, and (b) the release or substitution of collateral for the Loan requested by Borrower, and that Lender shall be entitled to reimbursement for its reasonable out-of-pocket costs and expenses associated with its provision of consents, waivers and approvals under the Loan Documents (the occurrence of any of the above shall be called an "Event"). Borrower further acknowledges and confirms that it shall be responsible for the payment of all costs of reappraisal of the Property or any part thereof, which are required by law, regulation or any governmental or quasi-governmental authority. Borrower hereby acknowledges and agrees to pay, immediately, upon demand, all such fees, costs and expenses.

17.2 **ATTORNEY'S FEES FOR ENFORCEMENT.** (a) Borrower shall pay all reasonable legal fees incurred by Lender in connection with the preparation of the Note, this Security Instrument and the other Loan Documents, and (b) Borrower shall pay to Lender on demand any and all expenses, including legal expenses and attorneys' fees, incurred or paid by Lender in protecting its interest in the Property or in collecting any amount payable hereunder or in enforcing its rights hereunder with respect to the Property, whether or not any legal proceeding is commenced hereunder or thereunder and whether or not any default or Event of Default shall have occurred and is continuing, together with interest thereon at the Default Rate from the date paid or incurred by Lender until such expenses are paid by Borrower.

18 - DEFINITIONS

18.1 **GENERAL DEFINITIONS.** Unless the context clearly indicates a contrary intent or unless otherwise specifically provided herein, words used in this Security Instrument may be used interchangeably in singular or plural form and the word "Borrower", in addition to the meaning given to such term in the opening paragraph of this Security Instrument, shall also mean "each Borrower and any subsequent owner or owners of the Property or any part thereof or any interest therein," the word "Lender", in addition to the meaning given to such term in the opening paragraph of this Security Instrument, shall also mean "Lender, its servicer and any subsequent holder of the Note," the word "Note", in addition to the meaning given to such term in the Recital paragraph of this Security Instrument, shall also mean "the Note and any other evidence of indebtedness secured by this Security Instrument," the word "person" shall include an individual, corporation, partnership, limited liability company, trust, unincorporated association, government, governmental authority, and any other entity, the word "Property" shall include any portion of the Property and any interest therein, and the phrases "attorneys' fees", "legal fees" and "counsel fees" shall include any and all reasonable attorneys', paralegal and law clerk fees and disbursements, including, but not limited to, fees and disbursements at the pre-trial, trial and appellate levels incurred or paid by Lender in protecting its interest in the Property, the Leases and the Rents and enforcing its rights hereunder. The terms "include(s)" and "including" shall mean "include(s), without limitation" and "including, without limitation", respectively.

19 - MISCELLANEOUS PROVISIONS

19.1 **NO ORAL CHANGE.** This Security Instrument, and any provisions hereof, may not be modified, amended, waived, extended, changed, discharged or terminated orally or by any act or failure to act on the part of Borrower or Lender, but only by an agreement in writing signed by the party against whom enforcement of any modification, amendment, waiver, extension, change, discharge or termination is sought.

19.2 **LIABILITY.** If Borrower consists of more than one person, the obligations and liabilities of each such person hereunder shall be joint and several. This Security Instrument shall be binding upon and inure to the benefit of Borrower and Lender and their respective successors and assigns forever.

19.3 **INAPPLICABLE PROVISIONS.** If any term, covenant or condition of the Note or this Security Instrument is held to be invalid, illegal or unenforceable in any respect, the Note and this Security Instrument shall be construed without such provision.

19.4 **HEADINGS, ETC.** The headings and captions of various Sections of this Security Instrument are for convenience of reference only and are not to be construed as defining or limiting, in any way, the scope or intent of the provisions hereof.

19.5 DUPLICATE ORIGINALS; COUNTERPARTS. This Security Instrument may be executed in any number of duplicate originals and each duplicate original shall be deemed to be an original. This Security Instrument may be executed in several counterparts, each of which counterparts shall be deemed an original instrument and all of which together shall constitute a single Security Instrument. The failure of any party hereto to execute this Security Instrument, or any counterpart hereof, shall not relieve the other signatories from their obligations hereunder.

19.6 NUMBER AND GENDER. Whenever the context may require, any pronouns used herein shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns and pronouns shall include the plural and vice versa.

19.7 SUBROGATION. If any or all of the proceeds of the Note have been used to extinguish, extend or renew any indebtedness heretofore existing against the Property, then, to the extent of the funds so used, Lender shall be subrogated to all of the rights, claims, liens, titles, and interests existing against the Property heretofore held by, or in favor of, the holder of such indebtedness and such former rights, claims, liens, titles, and interests, if any, are not waived but rather are continued in full force and effect in favor of Lender and are merged with the lien and security interest created herein as cumulative security for the payment and performance of the Obligations.

19.8 BROKERS. Borrower agrees to pay and to indemnify and hold Lender harmless from any all loss, cost or expense (including attorneys' fees and expenses) arising from the claims of any brokers or anyone claiming a right to any fees in connection with the financing of the Property. Notwithstanding the foregoing, Borrower acknowledges that Lender or its affiliates may have a contractual relationship with the broker, if any, that arranged the Loan on Borrower's behalf, and that such broker may be entitled to fees from Lender or its affiliates in connection with the origination, closing or servicing of the Loan, which fees shall be in addition to any brokerage fees owed by Borrower to such broker. Borrower shall not be responsible for any such additional fees. Borrower acknowledges and agrees that it has made and will make such inquiries of the broker, if any, that arranged the Loan with respect to the nature or existence of such arrangement. No agreement by Lender to pay any such fees or compensation to such broker (if any) shall be binding upon Lender unless it is set forth in separate written instrument that has been duly executed by Lender and such broker.

19.9 ENTIRE AGREEMENT. The Note, this Security Instrument and the other Loan Documents constitute the entire understanding and agreement between Borrower and Lender with respect to the transactions arising in connection with the Debt and supersede all prior written or oral understandings and agreements between Borrower and Lender with respect thereto. Borrower hereby acknowledges that, except as incorporated in writing in the Note, this Security Instrument and the other Loan Documents, there are not, and were not, and no persons are or were authorized by Lender to make, any representations, understandings, stipulations, agreements or promises, oral or written, with respect to the transaction which is the subject of the Note, this Security Instrument and the other Loan Documents.

20 - STATE SPECIFIC PROVISIONS

20.1 FUTURE ADVANCES. This Security Instrument is intended to apply to future advances pursuant to 25 Del. C. § 2118. This Security Instrument secures not only existing indebtedness or advances made contemporaneously with the execution hereof, if any, but also future principal advances, with all interest accrued thereon, to or for the benefit of Borrower up to a maximum principal amount of **FORTY MILLION AND 00/100 DOLLARS (\$40,000,000.00)**, made pursuant to the terms of the Note, this Security Instrument, the Other Loan Documents and other documents evidencing the secured indebtedness (as the same may be modified, amended or supplemented from time to time), the terms of all of which are incorporated herein by reference. All such future advances, whether such advances are obligatory, optional or both and whether made before or after default or maturity or other similar event, shall be secured by this Security Instrument to the same extent as if such future advances were made contemporaneously with the execution of the Security Instrument, even though no advance may have been made at the time of execution of this Security Instrument and even though no indebtedness is outstanding at the time any advance is made. Any lien attaching to the Property after the date hereof shall be under, subject and subordinate to all indebtedness, including without limitation, future advances

The foregoing instrument was acknowledged before me this _____ day of _____, 2006 by Jonathan M. Colman, as Executive Vice President of Sun Sea Breeze QRS, Inc., a Michigan corporation, as managing member of Sea Breeze GP One LLC, a Michigan limited liability company, as general partner of **SEA BREEZE LIMITED PARTNERSHIP**, a Delaware limited partnership, on behalf of said corporation, limited liability company and limited partnership. He is personally known to me or has produced a _____ as identification.

Print Name: _____
Title: _____
Commission No. _____

(if any)

My Commission Expires: _____

EXHIBIT A

(Description of Land)

ALL of that certain lot, piece or parcel of land, with the buildings and improvements thereon, situate, lying and being in Sussex County, Delaware and being more particularly described as follows:

REPLACEMENT RESERVE AND LEASING RESERVE REQUIREMENTS

1. Defined Terms.

All capitalized terms used herein and not defined in this Security Instrument shall have the meanings set forth in Section 7 of this Exhibit B. To the extent any Reserve Deposit is assigned the meaning "none" in the Reserve Letter, the provisions set forth in this Exhibit B specifically relating to the making or application of such Reserve Deposits shall be disregarded.

2. Reserve Deposits.

(a) Concurrently with the execution of this Security Instrument, Borrower shall deposit with Lender the Deferred Maintenance Deposit. The Deferred Maintenance Deposit shall be applied as provided in Section 4.1 of this Exhibit B.

(b) On each date that a regularly scheduled payment of principal or interest is due under the Note, Borrower shall be required to make a Monthly Deposit. Notwithstanding anything contained herein to the contrary, no Monthly Deposit shall be required unless an Event of Default shall have occurred.

(c) Lender shall deposit each Monthly Deposit, as received, in an escrow account (the "Reserve"). Out of each Monthly Deposit, the Monthly Replacement Account Deposit shall be allocated to an account (the "Replacement Account") for the payment of Replacements and the Monthly Leasing Account Deposit shall be allocated to an account (the "Leasing Account") for the payment of Tenant Improvements and Leasing Commissions (as defined below) in conjunction with Leases (as hereinafter defined).

(d) Lender shall maintain a record of all deposits into and withdrawals from the Reserve and their allocation to the Replacement Account and the Leasing Account. Lender or a designated representative of Lender shall have the sole right to make withdrawals from such account.

3. Disbursements.

(a) Provided no Event of Default exists, Lender shall make disbursements of funds available in the Replacement Account to reimburse Borrower for Replacements.

(b) Provided no Event of Default exists, Lender shall make disbursements of funds in the Leasing Account to reimburse Borrower for the cost of (i) tenant improvements required under any Lease (collectively, the "Tenant Improvements"); and (ii) leasing commissions incurred by Borrower in connection with any Lease, provided that (x) such leasing commissions are reasonable and customary for properties similar to the Property and the portion of the Property for which such leasing commission is due, (y) the amount of such leasing commissions are determined pursuant to arms length transactions between Borrower and any leasing agent to which a leasing commission is due, and excluding any leasing commissions which shall be due any general partner, or shareholder of Borrower or any affiliate of Borrower and (z) the tenant under the related Lease shall have taken occupancy of its entire leased premises and commenced the payment of its entire base minimum rent (collectively, "Leasing Commissions").

(c) Lender shall, upon written request from Borrower and satisfaction of the requirements set forth in this Section 3, disburse to Borrower amounts from the Reserve necessary to reimburse Borrower for the actual costs of (i) any Leasing Commissions and (ii) any work relating to Replacements or Tenant Improvements (collectively, "Work").

(d) Each request for disbursement from the Reserve shall be in a form specified or approved by Lender, and shall be accompanied by evidence of the full performance of the obligations of the leasing

agent or satisfactory completion of the Work, as the case may be, and such bills, invoices and other evidence of the incurrence of the related costs and expenses as Lender may reasonably request.

(e) Borrower shall not make a request for disbursement from the Reserve more frequently than once in any calendar quarter.

(f) Borrower shall not make a request for disbursement from the Reserve in an amount less than the lesser of (i) \$5,000, and (ii) the total cost of the Replacement, Tenant Improvement or Leasing Commission for which the disbursement is requested.

4. Performance of Replacements.

4.1 Deferred Maintenance. Notwithstanding anything contained herein to the contrary, Borrower agrees to perform all of the Scheduled Repairs within sixty (60) days after the date hereof or such other period of time, if any, set forth in the Reserve Letter. The Deferred Maintenance Deposit shall be used solely for the payment of the actual costs of the Scheduled Repairs. Upon completion of the Scheduled Repairs in accordance with the requirements hereof, the portion of the Deferred Maintenance Deposit remaining undisbursed, if any, shall be disbursed to Borrower. All conditions, covenants and agreements set forth herein with respect to a disbursement from the Replacement Account shall apply to the disbursements from the Deferred Maintenance Deposit.

4.2 Entry Onto Property: Inspections. Lender may inspect the Property in connection with any Work prior to disbursing funds from the Reserve with respect thereto. In connection with any Work that is (i) a structural repair or improvement, (ii) a replacement or repair of a major component or element of any part of the Property or (iii) Scheduled Repairs, Lender may require, at Borrower's expense, one or more inspections and/or certificates of completion by an appropriate independent, qualified professional (e.g., architect, engineer, consultant) approved by Lender. In addition to Lender's costs and expenses, Borrower shall pay Lender a reasonable inspection fee, provided, however, such fees shall not exceed \$500, in the aggregate, in any calendar year.

5. Borrower's Records. Borrower shall furnish such financial statements, invoices, records, papers and documents relating to the Property as Lender may reasonably require from time to time to make the determinations permitted or required to be made by Lender with respect to disbursements of the Deferred Maintenance Deposit and/or the Reserve.

6. Insufficiency of Reserve Balances, Temporary Deferral of Monthly Deposits. The insufficiency of any balance in the Reserve or the Deferred Maintenance Deposit shall not abrogate Borrower's agreement to fulfill its obligations contained in this Security Instrument. In the event Lender determines that (i) the balance in the Reserve is less than the current estimated cost to complete the Work and pay the Leasing Commissions which Borrower, in the prudent operation of the Property can reasonably be anticipated to incur during the succeeding twenty four (24) months, or (ii) the balance of the Deferred Maintenance Deposit is less than the amount necessary to complete the Scheduled Repairs, Borrower shall deposit the shortage within ten (10) days of request by Lender. In the event Lender determines from time to time based on Lender's inspections that the amount of the Monthly Deposit is insufficient to fund the cost of likely Work and Leasing Commissions and related contingencies that may arise during the remaining term of the Loan, Lender may require an increase in the amount of the Monthly Deposits upon thirty (30) days prior written notice to Borrower. Lender may approve a temporary deferral or a reduction in the amount of the Monthly Deposit; provided, however, that if Lender approves either a temporary deferral or reduction in the amount of the Monthly Deposit, such action by Lender shall not prevent Lender from requiring Borrower to resume payment of the Monthly Deposits on any date that Lender may deem appropriate.

7. Certain Defined Terms. The following terms shall have the meanings assigned to them below:

(a) "Deferred Maintenance Deposit" means the Deferred Maintenance Deposit set forth in the Reserve Letter, if any.

- (b) "Monthly Deposit" means the sum of the Monthly Leasing Account Deposit and the Monthly Replacement Account Deposit.
- (c) "Monthly Leasing Account Deposit" means the Monthly Leasing Account Deposit set forth in the Reserve Letter, if any.
- (d) "Monthly Replacement Account Deposit" means the Monthly Replacement Account Deposit set forth in the Reserve Letter. If there is no Monthly Leasing Account Deposit, the Monthly Replacement Account Deposit shall have the same meaning as the Monthly Deposit.
- (e) "Replacements" means the costs of any repairs, improvements, equipment, alterations, additions, changes, replacements and other items which, under generally accepted accounting principles, consistently applied, are properly classified as capital expenditures or capital improvements (and, in the case of multifamily projects only shall include the costs of window treatments and carpeting, blinds, equipment and appliances, and painting of the exterior of the Property), but excluding (i) costs of routine maintenance to the Property; (ii) the costs of salaries, benefits and administrative expenses related to the employment of (A) officers and executives of Borrower, and of employees of Borrower above the level of building manager, and (B) employees of Borrower at or below the level of building manager, except in the case of those costs which Borrower can demonstrate to Lender's satisfaction to be properly allocable to the work performed by such employees in connection with Replacements; (iii) the cost of any items for which Borrower is reimbursed by insurance or otherwise; (iv) the cost of any landscaping work to the Property; (v) the cost of any material additions or material alterations to the Property after the date hereof; and (vi) (except in the case of multifamily projects) the cost of any alterations, additions, changes, replacements and improvements that are made primarily in order to prepare space for occupancy by a tenant.
- (f) "Reserve Deposits" shall mean the Deferred Maintenance Deposit and the Monthly Deposit.
- (g) "Reserve Letter" means a letter from Borrower to Lender of even date herewith confirming the amount of the Monthly Replacement Account Deposit, the Monthly Leasing Deposit Account Deposit (if any) and the Deferred Maintenance Deposit, if any, and the Scheduled Repairs, if any.
- (h) "Scheduled Repairs" means the Scheduled Repairs described in the Reserve Letter, if any.

PROVISIONS REGARDING LETTERS OF CREDIT

1. Certain Defined Terms. For purposes hereof, the following terms shall have the following meanings:

(a) "Eligible Institution" shall mean a depository institution or trust company, insured by the Federal Deposit Insurance Corporation, (a) the short term unsecured debt obligations or commercial paper of which are rated at least A 1+ by S&P, P 1 by Moody's and F 1+ by Fitch in the case of accounts in which funds are held for thirty (30) days or less, or (b) the long term unsecured debt obligations of which are rated at least "AA" by Fitch and S&P and "Aa2" by Moody's in the case of accounts in which funds are held for more than thirty (30) days.

(b) "Fitch" shall mean Fitch, Inc.

(c) "Letter of Credit" shall mean an irrevocable, unconditional, transferable, clean sight draft letter of credit acceptable to Lender and the Rating Agencies (which shall have a term of one (1) year, be an evergreen letter of credit or shall not expire until at least thirty (30) Business Days after the Maturity Date) in favor of Lender and entitling Lender to draw thereon in New York, New York, issued by a domestic Eligible Institution or the U.S. agency or branch of a foreign Eligible Institution. If at any time the bank issuing any such Letter of Credit shall cease to be an Eligible Institution, Lender shall send notice of same to Borrower and Borrower shall have thirty (30) days within which to either (i) obtain a new Letter of Credit with an Eligible Institution or (ii) if such event occurs after a Securitization, deliver to Lender a Rating Agency Confirmation stating that the credit rating of the Securities will not be qualified, downgraded or withdrawn if such Letter of Credit is not replaced with a Letter of Credit issued by an Eligible Institution. If a Rating Agency Confirmation or a new Letter of Credit issued by an Eligible Institution has not been delivered to Lender within such thirty (30) day period, or if any Letter of Credit has not been renewed or extended at least thirty (30) days prior to its expiration date, then Lender shall have the right immediately to draw down the same in full and hold the proceeds of such draw in accordance with the applicable provisions hereof, and, upon the receipt by Lender of 100% of the proceeds of such draw, Borrower's obligation to obtain such new Letter of Credit with an Eligible Institution or a Rating Agency Confirmation shall be deemed satisfied.

(d) "Moody's" shall mean Moody's Investors Service, Inc.

(e) "S&P" shall mean Standard & Poor's Ratings Services, a division of McGraw-Hill, Inc.

2. Delivery of Letters of Credit.

(a) In lieu of making payments to the Escrow Fund for the purpose of paying Taxes, Borrower may deliver to Lender a Letter of Credit in accordance with the provisions of this Exhibit C. The aggregate amount of any such Letter of Credit and cash on deposit in the Escrow Fund shall at all times be equal to or greater than the aggregate amount that Borrower shall be required to deposit into the Escrow Fund pursuant to Section 3.4 of this Security Instrument for purposes of paying Taxes becoming due within the ensuing twelve (12) month period (the "Required Amount"). Within thirty (30) days of Borrower's delivery of a Letter of Credit to Lender in the Required Amount that complies with the requirements of this Exhibit C, Lender shall release to Borrower the amount by which the sum of the cash on the deposit in the Escrow Fund and the amount of such Letter of Credit exceeds the Required Amount. Thereafter, Borrower shall be responsible for making the direct payment of Taxes and Lender shall have no responsibility therefor.

(b) Borrower shall give Lender no less than thirty (30) days notice of Borrower's election to deliver a Letter of Credit and Borrower shall pay to Lender all of Lender's reasonable out-of-pocket costs and expenses in connection therewith. Borrower shall not be entitled to draw from any such Letter of Credit. If a Letter of Credit has been outstanding for more than three (3) months, upon ten (10) days notice to Lender

Borrower may replace such Letter of Credit with a cash deposit to the Escrow Fund . Prior to the return of a Letter of Credit, Borrower shall deposit an amount equal to the amount that would have accumulated in the Escrow Fund.

(c) Borrower shall deposit cash with Lender, deliver to Lender an additional Letter of Credit or deliver to Lender a valid and binding amendment of any existing Letter of Credit to increase the undrawn amount thereof within ten (10) of notice from Lender that Borrower is not in compliance with its obligations under Section 2.1(a) above.

3. Provisions Regarding Letters of Credit.

(a) Event of Default. An Event of Default shall occur if Borrower shall fail to amend, replace, increase or extend any Letter of Credit as required by this Exhibit C (including, but not limited to, as set forth in Section 2.1(c) above or in the definition of Letter of Credit).

(b) Security for Debt. Each Letter of Credit delivered under this Security Instrument shall be additional security for the payment of the Debt. Upon the occurrence of an Event of Default, Lender shall have the right, at its option, to draw on any Letter of Credit and to apply all or any part thereof of the payment of the items for which such Letter of Credit was established or to apply each such Letter of Credit to payment of the Debt in such order, proportion or priority as Lender may determine or to hold such proceeds as security for the Debt.

(c) Additional Rights of Lender. In addition to any other right Lender may have to draw upon a Letter of Credit pursuant to the terms and conditions of this Agreement, Lender shall have the additional rights to draw in full any Letter of Credit: (a) with respect to any evergreen Letter of Credit, if Lender has received a notice from the issuing bank that the Letter of Credit will not be renewed and a substitute Letter of Credit is not provided at least thirty (30) days prior to the date on which the outstanding Letter of Credit is scheduled to expire; (b) with respect to any Letter of Credit with a stated expiration date, if Lender has not received a notice from the issuing bank that it has renewed the Letter of Credit at least thirty (30) days prior to the date on which such Letter of Credit is scheduled to expire and a substitute Letter of Credit is not provided at least thirty (30) days prior to the date on which the outstanding Letter of Credit is scheduled to expire; (c) upon receipt of notice from the issuing bank that the Letter of Credit will be terminated (except if the termination of such Letter of Credit is provided); or (d) if Lender has received notice that the bank issuing the Letter of Credit shall cease to be an Eligible Institution and Borrower has not, within thirty (30) days after notice thereof, obtained a new Letter of Credit with an Eligible Institution.

CERTIFICATIONS

(As Adopted Under Section 302 of the Sarbanes-Oxley Act of 2002)

I, Gary A. Shiffman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sun Communities, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 9, 2007

/s/ Gary A. Shiffman

Gary A. Shiffman, Chief Executive Officer

CERTIFICATIONS

(As Adopted Under Section 302 of the Sarbanes-Oxley Act of 2002)

I, Jeffrey P. Jorissen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sun Communities, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 9, 2007

/s/ Jeffrey P. Jorissen
Jeffrey P. Jorissen, Chief Financial Officer

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
(Adopted Under Section 906 of the Sarbanes-Oxley Act of 2002)

The undersigned officers, Gary A. Shiffman and Jeffrey P. Jorissen, hereby certify that to the best of their knowledge: (a) this Quarterly Report on Form 10-Q of Sun Communities, Inc., for the quarter ended March 31, 2007, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and (b) the information contained in this Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the issuer.

Signature

Date

/s/ Gary A. Shiffman May 9, 2007
Gary A. Shiffman, Chief Executive Officer

/s/ Jeffrey P. Jorissen May 9, 2007
Jeffrey P. Jorissen, Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Sun Communities, Inc. and will be retained by Sun Communities, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.