

RETURN TO:

Prepared By + Return To:
Mary Kay Scherer
Spence Title Services, Inc.
1905 Harney St, Ste 210
Omaha, NE 68102
402-345-8844

MORTGAGE

THIS MORTGAGE, SECURITY AGREEMENT AND FINANCING STATEMENT, made and entered into as of 17th day of June, 2004, by and between: The Reserve, a Nonprofit Corporation ("Mortgagor"), and Nicholas Street Partners (Iowa), LLC, ("Mortgagee"), (hereinafter, this "Mortgage").

THIS MORTGAGE ENCUMBERS BOTH REAL AND PERSONAL PROPERTY AND CONTAINS AN AFTER ACQUIRED PROPERTY CLAUSE.

WITNESSETH, THAT in consideration of Mortgagee's agreement to make a loan to Mortgagor in the original principal amount of One Million Five Hundred Fifty Thousand and 00/100 Dollars (\$1,550,000.00) (the "Loan") and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Mortgagor hereby warrants, represents, covenants and agrees as follows:

496671 ITC

ARTICLE I
Granting Clauses

Section 1.01. Grant of Real Estate Security. Mortgagor hereby irrevocably grants, bargains, sells, mortgages, warrants, transfers, conveys, assigns, sets over and pledges to Mortgagee all of the following described property (the "Mortgaged Estate");

Prepared by:

Howard Fredrick Hahn
Blackwell Sanders Peper Martin LLP
1620 Dodge Street, Suite 100
Omaha, NE 68102

(a) The real property located in the City of Urbandale, County of Polk, State of Iowa, described on Exhibit A, attached hereto and incorporated herein, and all and singular the tenements, hereditaments and appurtenances thereto, together with all right, title and interest of Mortgagor in all easements, rights-of-way, gores or strips of land, surface waters, ground waters, watercourses, mineral interests

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SPENCE TITLE SERVICES, INC.
1905 HARNEY STREET SUITE 210
OMAHA, NEBRASKA 68102

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and subsurface rights, alleys, streets and sidewalks, whether now owned or hereafter acquired, either in law or in equity, adjacent or appurtenant to or adjoining such real property (the "Land");

(b) Any and all buildings and improvements now or hereafter erected or located on the Land, including all fixtures, attachments, appliances, equipment, machinery and other articles attached to such buildings and improvements (the "Improvements");

(c) All right, title and interest of Mortgagor in and to all tangible personal property now owned or hereafter acquired by Mortgagor and now or at any time hereafter located on the Land or within the Improvements and used in connection therewith, including all building materials stored on the Land, all machinery, motors, elevators, fittings, radiators, awnings, shades, screens, all plumbing, heating, lighting, ventilating, refrigerating, incinerating, air conditioning and sprinkler equipment, all furniture, furnishings, equipment and other personal property owned by Mortgagor and used in connection with the operation of the Mortgaged Estate, and all renewals and replacements thereof (excluding any such property owned by a tenant of the Mortgaged Estate) (the "Personal Property"), all of which property shall, so far as permitted by law, be deemed to form a part and parcel of the real property and for the purpose of this Mortgage to be real estate and covered by this Mortgage;

(d) All of Mortgagor's interest in all existing and future accounts, contract rights, general intangibles, files, books of account, agreements, permits, licenses and certificates necessary or desirable in connection with the acquisition, ownership, leasing, operation or management of the Mortgaged Estate, whether now existing or entered into or obtained after the date hereof; and

(e) All the estate, interest, right, title or other claim or demand with respect to the proceeds of insurance and any and all awards made for the taking of any part of the Mortgaged Estate by the power of eminent domain, or by any proceeding or purchase in lieu thereof.

TO HAVE AND TO HOLD the Mortgaged Estate unto Mortgagee and its successors and assigns, forever.

Section 1.02. Grant of Security Interest. With respect to any portion of the Mortgaged Estate which constitutes Personal Property, fixtures or other property or interests governed by the Uniform Commercial Code of the state in which the Mortgaged Estate is located (the "UCC"), this Mortgage shall constitute a security agreement between Mortgagor, as the debtor, and Mortgagee, as the secured party, and Mortgagor hereby grants to Mortgagee a security interest in such portion of the Mortgaged Estate. Mortgagor agrees to execute and deliver to Mortgagee all financing and continuation statements and other information which are from time to time required to establish and maintain the validity and priority of the security interests herein granted. Upon the occurrence of an "Event of Default" (as defined herein), Mortgagee shall have all of the rights and remedies of a secured party available under the UCC with respect to the property encumbered by the security interests; provided, however, Mortgagee may, at its

option, dispose of such property in accordance with Mortgagee's rights and remedies under this Mortgage, in lieu of proceeding under the UCC. Mortgagor hereby appoints Mortgagee as its attorney-in-fact to execute, deliver and file any and all required financing statements, continuation statements and other instruments as Mortgagee may require in order to perfect and maintain the security interests granted herein.

Section 1.03. Secured Obligations. (a) This Mortgage shall secure the following indebtedness and obligations, including all replacements, renewals, amendments, extensions, substitutions and modifications thereof:

(1) Payment of all indebtedness and performance of all obligations and covenants of Mortgagor under or pursuant to (i) the Promissory Note dated as of the date hereof, executed by Mortgagor in favor of Mortgagee in the aggregate principal amount of the Loan (the "Note"); and (ii) this Mortgage.

(2) Payment of all future advances and all sums advanced by Mortgagee to protect the Mortgaged Estate or otherwise pursuant to the terms of the Loan Documents, with interest on all of the foregoing at the "Default Rate" (as defined in the Note) from the date of Mortgagee's advance to the date of Mortgagor's repayment of same; and

(3) Payment of all fees and charges of Mortgagee, whether or not set forth herein.

(b) The indebtedness and the obligations secured by this Mortgage which are described in paragraph (a) above are hereinafter referred to as the "Secured Obligations."

(c) This Mortgage and the Note are hereinafter collectively referred to as the "Loan Documents."

ARTICLE II Payment and Performance

Section 2.01. Payment of Secured Obligations. Mortgagor shall pay all sums due under the Loan Documents without offset, counterclaim or defense, as and when the same shall become due. Mortgagor shall fully and faithfully observe and perform all of the obligations of Mortgagor to be observed and performed under the Loan Documents.

Section 2.02. Warranty of Title. Mortgagor warrants and represents that: (i) Mortgagor has good and marketable title to an indefeasible estate in fee simple in the Land and Improvements; (ii) Mortgagor has good and marketable title to all of the rest of the Mortgaged Estate; and (iii) such title of Mortgagor is free and clear of any liens or encumbrances except for those exceptions shown in the title insurance policy in favor of the Mortgagee insuring the lien of this Mortgage (the "Permitted Encumbrances"); Mortgagor shall preserve Mortgagor's title and interest in the Mortgaged Estate and will forever warrant and defend the validity and priority of the lien, security interest and

assignments created herein against the claims of all persons whomsoever, subject only to the Permitted Encumbrances.

ARTICLE III
Taxes and Insurance

Section 3.01. Taxes. Mortgagor shall pay when due and before any penalty attaches or interest accrues, all general taxes, special taxes, assessments, water charges, sewer service charges, and other similar charges against or affecting the Mortgaged Estate or any property or equipment located on the Land, or which might become a lien upon the Mortgaged Estate (the "Taxes"). If any Tax may be legally paid in installments, Mortgagor shall have the right, at its option, to pay such Tax in installments.

Section 3.02. Insurance. (a) Mortgagor shall at all times keep in full force and effect the following policies of insurance with respect to the Mortgaged Estate: (i) comprehensive general public liability insurance in an amount of not less than \$2,000,000.00, combined single limit coverage for injury to persons and damage to property, with a deductible limit satisfactory to Mortgagee; (ii) standard fire and extended coverage casualty insurance, with vandalism and malicious mischief coverage and so called "all risks" or "DIC" coverage in the amount of the full insurable value of the Mortgaged Estate on a replacement cost basis (but in any event not less than the amount of the Loan); and (iii) such other policies of insurance as Mortgagee may from time to time require, including but not limited to a "builder's risk" insurance policy.

(b) All insurance policies shall: (i) be issued by a company or companies rated "A -" or better by A.M. Best & Company and otherwise satisfactory to Mortgagee; (ii) name Mortgagee as an additional insured and loss payee; and (iii) provide a minimum of thirty (30) days' written notice to Mortgagee prior to the expiration or any cancellation or modification of such policies. Mortgagor shall provide Mortgagee with certificates evidencing all required insurance. In the event Mortgagor shall fail to maintain the insurance required by this section, Mortgagee may, but shall not be so obligated, procure such insurance as Mortgagee shall deem necessary, and any amount so expended by Mortgagee shall be secured by this Mortgage and be repayable by Mortgagor upon demand, with interest at the "Default Rate" (as defined in the Note).

Section 3.03. In the event of any damage or destruction to the Mortgaged Estate, Mortgagor shall promptly make proof of loss to the insurers, and Mortgagor shall not adjust or compromise any claim under such insurance without the prior written approval of Mortgagee. All proceeds of such insurance shall be paid directly to Mortgagee, and each insurer is hereby authorized and directed to make such payment directly to Mortgagee. Any proceeds shall be applied first to the payment of all costs and expenses incurred by Mortgagee in obtaining such proceeds. The balance of the proceeds, if any, may be applied at the option of the Mortgagee (i) against the Secured Obligations, without prepayment charge, or (ii) to the restoration or the repair of the Mortgaged Estate, in such order as Mortgagee may elect, in its sole discretion. If Mortgagee elects or has agreed to apply the insurance proceeds to restoration or repair of the Mortgaged Estate, Mortgagee shall have the right to establish requirements for the disbursement of such proceeds as

may be imposed by responsible mortgagees for advances of proceeds of commercial construction loans in the state in which the Mortgaged Estate is located.

ARTICLE IV
Maintenance; Alterations; Inspections

Section 4.01. Maintenance. Mortgagor shall: (i) maintain the Mortgaged Estate in good condition and repair, subject to ordinary wear and tear; (ii) not commit or suffer to be committed any waste of the Mortgaged Estate; (iii) comply with all laws, ordinances, regulations and restrictions now or hereafter affecting the Mortgaged Estate; and (iv) not do or permit to be done any act which would otherwise diminish the value of the Mortgaged Estate.

ARTICLE V
Eminent Domain

Section 5.01. Eminent Domain. If all or any part of the Mortgaged Estate is taken or damaged by the exercise of the power of eminent domain or a conveyance in lieu thereof (a "Condemnation"), or should Mortgagor receive any notice or other information regarding any such proceeding, Mortgagor shall give prompt written notice thereof to Mortgagee. Mortgagee may participate in Condemnation proceedings, and Mortgagor shall consult with Mortgagee and its attorneys and cooperate with them in the carrying on or defense of any such proceedings. All proceeds of Condemnation awards or sales in lieu thereof, and all judgments, decrees and awards for injury or damage to the Mortgaged Estate shall be paid to Mortgagee and shall be applied first to all costs and expenses incurred by Mortgagee in obtaining the proceeds. The balance of the proceeds, if any, may be applied at the option of Mortgagee (i) against the Secured Obligations, without prepayment premium or (ii) to the restoration or repair of the Mortgaged Estate, in such order as Mortgagee may elect, in its sole discretion. Mortgagee shall not be liable or responsible for failure to collect or exercise diligence in the collection of any proceeds, judgments, decrees or awards.

ARTICLE VI
Events Of Default; Remedies

Section 6.01. Events of Default. Each of the following shall be an "Event of Default" under this Mortgage:

- (a) Failure of Mortgagor to make any payment of principal or interest or any other payment under the Note or any other sum secured under any Loan Document within five (5) days of the date such payment shall be due and payable (calculated by including the due date);
- (b) Failure by Mortgagor to perform or observe any other covenant or agreement set forth in this Mortgage, and the continuance of such default for thirty (30) days after notice thereof from Mortgagee specifying such default (provided that if such default cannot reasonably be cured within such thirty (30) day period,

no Event of Default shall be deemed to exist if Mortgagor shall commence to cure such default within such thirty (30) day period and proceed with due diligence to complete such cure; but in any event, such default must be cured within ninety (90) days after Mortgagee's notice);

(c) The occurrence of a default or an "Event of Default" under any Loan Document other than this Mortgage which is not cured within the applicable cure period, if any, provided therein;

(d) Any suit or proceeding shall be filed against Mortgagor or any guarantor of Mortgagor under any Loan Document which, if adversely determined, could materially impair the ability of Mortgagor or such guarantor to perform any of its obligations under any Loan Document, in the opinion of Mortgagee, in its sole discretion;

(e) Any representation, warranty or statement made by Mortgagor, any guarantor or other party under any Loan Document or any other affidavit or instrument executed or delivered with respect to the Loan shall be determined by Mortgagee to be false or misleading in any material respect;

(f) Mortgagor shall convey, alienate, transfer, mortgage, encumber, lease or assign ownership or control of all or any part of the Mortgaged Estate or any interest therein, whether legal or equitable, or in Mortgagor in violation of Section 8.01 hereof, or Mortgagor shall be divested of its title or any interest in the Mortgaged Estate in any manner, whether voluntarily or involuntarily, or if there is any merger, consolidation or dissolution affecting Mortgagor;

(g) Mortgagor (i) shall execute an assignment for the benefit of creditors or an admission in writing of Mortgagor's inability or failure to pay debts generally as they become due; or (ii) shall allow the levy against the Mortgaged Estate or any part thereof of any execution, attachment, sequestration or other writ or action which is not vacated or discharged within sixty (60) days after such levy; or (iii) shall allow the appointment of a receiver, trustee or custodian of Mortgagor or the Mortgaged Estate or any part thereof, which receiver, trustee or custodian is not discharged within sixty (60) days after such appointment; or (iv) shall file as a debtor a petition, case, proceeding or other action pursuant to, or voluntarily seeks the benefit or benefits of, any law granting relief to any debtor, or takes any action in furtherance thereof; or (v) shall file a petition, complaint, answer or other instrument which seeks to effect a suspension of, or which has the effect of suspending, any of the rights or powers of Mortgagee granted under any Loan Document; or (vi) shall allow the filing of a petition, case, proceeding or other action against Mortgagor as a debtor under any law granting relief to a debtor, or shall seek or allow appointment of a receiver, trustee, custodian or liquidator of Mortgagor or of the Mortgaged Estate, or any part thereof, or of any significant portion of Mortgagor's other property, and (x) Mortgagor shall admit, acquiesce in or fail to contest diligently the allegations thereof, or (y) such petition, case, proceeding or other action shall result in the entry of an order for relief or order granting the relief sought against Mortgagor, or (z) such petition, case, proceeding

or other action is not permanently dismissed or discharged on or before the earlier of trial thereon or sixty (60) days following the date of filing;

(h) The occurrence of any event described in paragraph (g) above with respect to any guarantor of the Secured Obligations or any other person or entity obligated in any manner to pay or perform the Secured Obligations.

Section 6.02. Remedies. Upon the occurrence of an Event of Default, Mortgagee shall have the right to take any one or more of the following actions:

(a) Declare all Secured Obligations to be due and payable, and the same shall thereupon become due and payable without any presentment, demand, protest or notice of any kind except as otherwise provided herein, and Mortgagor hereby waives notice of intent to accelerate the Secured Obligations;

(b) Commence an action to foreclose this Mortgage by judicial order or non-judicial foreclosure as provided in Chapter 655A, Code of Iowa, as presently enacted or hereafter amended, appoint a receiver or specifically enforce any of the covenants of this Mortgage;

(c) Exercise any or all of the remedies available to a secured party under the UCC;

(d) Either in person or by agent, 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 Mortgaged Estate or any part thereof and do any acts which it deems necessary or desirable to protect and preserve Mortgagee's security; or

(e) Without notice to Mortgagor or anyone claiming under Mortgagor, and without regard to the value of the Mortgaged Estate, to apply to any court having jurisdiction to appoint a receiver or receivers of the Mortgaged Estate, and Mortgagor hereby irrevocably consents to such appointment and waives notice of any application therefor. Any such receiver or receivers shall have all of the usual powers and duties of receivers in like or similar cases and all powers and duties of Mortgagee in case of entry as provided in Section 6.05.

Section 6.03. Remedies Not Exclusive; No Waiver. Every power or remedy given Mortgagee by any of the Loan Documents, or to which Mortgagee otherwise may be entitled, may be exercised without prejudice to any other power or remedy, concurrently, independently, in any order or any manner from time to time and as often as may be deemed expedient by Mortgagee. No remedy or power is intended to be exclusive of any other remedy or power, and Mortgagee may pursue inconsistent remedies. The acceptance by Mortgagee of the payment or performance of any Secured Obligation after the same shall be due shall not constitute a waiver of Mortgagee's right to the prompt payment or performance of same, or to declare a default as herein provided. The acceptance by Mortgagee of any sum in an amount less than the sum then due shall not constitute a waiver of Mortgagor's obligation to pay the entire sum, and such failure shall continue to be a default by Mortgagor notwithstanding Mortgagee's acceptance of such

partial payment. Consent by Mortgagee to any action or inaction of Mortgagor which is subject to consent or approval shall not be deemed a waiver of any other or future right of Mortgagee to consent under this Mortgage. Nothing set forth in this Mortgage shall be construed to constitute Mortgagee as a "mortgagee in possession" in the absence of its actual taking possession of the Mortgaged Estate pursuant to the powers granted herein.

Section 6.04. Waivers. To the extent permitted by law, Mortgagor hereby agrees that it shall not at any time insist upon, plead, claim or take any benefit or advantage, in any way whatsoever, whether now or in the future, and Mortgagor hereby irrevocably waives, all of the following, whether the same exists under federal or state law, or otherwise at law or in equity:

(a) Any right of redemption of any of the Mortgaged Estate after sale under this Mortgage;

(b) All rights and claims it may have in or to any of the Mortgaged Estate as a "homestead exemption," or similar exemptions;

(c) Any stay, extension or moratorium law which may extend the period for enforcement of this Mortgage or any period of redemption;

(d) Any and all right to require the marshaling of assets in connection with the exercise of any of Mortgagee's remedies under this Mortgage, it being agreed that Mortgagee shall have the right to determine, in its sole discretion, the order in which any of the Mortgaged Estate shall be sold, or the order in which any Secured Obligations are satisfied from the proceeds of such sale;

(e) Any right to trial by jury in any action, proceeding or counterclaim brought by any party against any other party on any matter arising out of or in any way connected with this Mortgage or the Loan Documents, the relationship between Mortgagor and Mortgagee, or Mortgagor's use and occupancy of the Mortgaged Estate;

(f) Any law providing for the valuation or appraisal of all or any part of the Mortgaged Estate prior to or after any sale or sales made pursuant to this Mortgage;

(g) Personal service of process in any action or proceeding at any time commenced to enforce this Mortgage or any of the Loan Documents, Mortgagor hereby agreeing that such process shall be deemed properly and adequately served if sent to Mortgagor as provided in Section 7.03 of this Mortgage;

(h) All notices not herein specifically required of Mortgagor's default under any of the Loan Documents, or of Mortgagee's exercise, or election to exercise, any right, option or election under this Mortgage;

(i) Any and all technical or procedural errors, defects and imperfections in any of the Loan Documents or any proceedings instituted by Mortgagee under this Mortgage; and

(j) Any claim or defense of Mortgagor contesting or challenging the personal jurisdiction of the "Courts" (as defined in Section 6.06 below), and any objection that Mortgagor may now or hereafter have to the laying of venue in the Courts for any suit, action or proceeding arising out of or relating to this Mortgage or any other Loan Document or any objection that such suit, action or proceeding in the Courts has been brought in an inconvenient forum.

Section 6.05. Preservation of Security. Notwithstanding the provisions of this Article VI, and in addition to any other rights or remedies of Mortgagor under this Mortgage, should Mortgagor at any time fail to make any payment or perform any obligation under any Loan Document, Mortgagee, in its sole discretion, without obligation to do so and without notice to or demand upon Mortgagor, and without releasing Mortgagor from any Secured Obligation or waiving any of Mortgagee's rights under the Loan Documents, may cure such default of Mortgagor in such manner and to such extent as Mortgagee may deem necessary to protect the security of this Mortgage. In connection therewith, without limiting its general powers, Mortgagee shall have and is hereby given the right, but not the obligation:

- (a) To enter upon and take possession of the Mortgaged Estate;
- (b) To direct Mortgagor to terminate any management agent and employ such management agent as Mortgagee may determine;
- (c) To make additions, alterations, repairs and improvements to the Mortgaged Estate which Mortgagee may consider necessary or proper to keep the Mortgaged Estate in good condition and repair;
- (d) To appear and participate in any action or proceeding affecting or which may affect the security hereof or the rights or powers of Mortgagee;
- (e) To pay, purchase, contest or compromise any encumbrance, claim, charge, lien or debt which, in the judgment of Mortgagee, may affect the security of this Mortgage or be prior or superior hereto; and
- (f) In exercising such powers, to pay necessary expenses, including employment of counsel or other necessary or desirable consultants.

All costs and expenses incurred by Mortgagee in connection with the exercise of the foregoing rights, including costs of evidence of title, court costs, appraisals, surveys and reasonable attorneys' fees, shall be secured by this Mortgage and be repayable by Mortgagor upon demand, with interest at the Default Rate.

Section 6.06. Consent to Jurisdiction; Waiver; Other Forums. (a) Any suit, action or proceeding arising out of or relating to this Mortgage or any other Loan Document, or any action or proceeding to execute on or otherwise enforce any judgment arising out of an Event of Default or other default under this Mortgage or any other Loan Document can be brought by Mortgagee in the District Court of Polk County, Iowa ("Court"). By executing and delivering this Mortgage, Mortgagor, its successors and assigns, hereby irrevocably and unconditionally submit to the non-exclusive personal jurisdiction of the

Court, for any suit, action or proceeding arising out of or relating to this Mortgage or any other Loan Document, and irrevocably and unconditionally agree not to assert in any proceeding before the Court or any other court or tribunal, by way of motion, as a defense or otherwise, any claim contesting or challenging the personal jurisdiction of the Court. In addition, Mortgagor irrevocably waives, to the fullest extent permitted by law, (i) any objection that it may now or hereafter have to the laying of venue in the Court for any suit, action or proceeding arising out of or relating to this Mortgage or any other Loan Document or (ii) any objection that such suit, action or proceeding brought in the Court has been brought in an inconvenient forum.

(b) Nothing in this Section 6.07 or in any other Loan Document shall be deemed to preclude Mortgagee from bringing a suit, action or proceeding arising out of or relating to this Mortgage or any other Loan Document in any other jurisdiction.

ARTICLE VII
General Covenants

Section 7.01. Prohibition On Transfer. Mortgagor shall not, by operation of law or otherwise, sell, convey, alienate, transfer, mortgage, encumber, lease or assign ownership or control of all or any part of the Mortgaged Estate or any interest therein, whether legal or equitable (including rents, issues or profits arising therefrom), or in Mortgagor (including any general or limited partnership interests, shares of stock or any other equity, beneficial or ownership interest in Mortgagor) without the prior written approval of Mortgagee, in its sole discretion. Mortgagee may withhold its approval for any reason or Mortgagee may condition its approval upon an increase in the interest rate under the Note or the payment of a fee. Notwithstanding the foregoing, such approval of Mortgagee shall not be required for any such transfer by devise or descent, or for the grant of a leasehold interest in the Mortgaged Estate of five years or less upon then current market terms.

Section 7.02. Compliance With Laws. Mortgagor shall promptly comply with all present and future federal, state and local laws, statutes and ordinances, and all covenants and restrictions of record affecting the Mortgaged Estate, including (i) the Occupational Safety and Health Act (OSHA), 29 U.S.C. § 651, and (ii) the Americans with Disabilities Act (ADA), 42 U.S.C. § 12101. Mortgagor shall not initiate or acquiesce in any zoning reclassification or material change in the zoning affecting the Mortgaged Estate without the prior written approval of Mortgagee.

Section 7.03. Notices. All notices, approvals or communications required or permitted to be given under this Mortgage shall be in writing and shall be deemed to have been properly given and received (i) if sent by hand delivery, then upon delivery, (ii) if sent by overnight courier or U.S. Express Mail, then one (1) day after dispatch, and (iii) if mailed by registered or certified U.S. mail, postage prepaid and return receipt requested, then two (2) days after deposit in the mail. All such notices and communications shall be given to the parties at their respective addresses set forth in this Mortgage, or at such other addresses as either party may designate by notice in accordance with the terms of this Section.

Section 7.04. Liens and Subrogation Rights of Mortgagee. (a) Mortgagor shall not create, permit to accrue or suffer to exist upon any of the Mortgaged Estate, any security

interest, judgment lien, mechanic's or materialman's lien, or any other lien, encumbrance, charge, retention or reservation of title, pledge, hypothecation or assignment as security, and shall promptly pay, when the same shall become due, all claims and demands of contractors, subcontractors, mechanics, materialmen, laborers and others which claims, if unpaid, might result in or permit the creation of a lien upon the Mortgaged Estate, and Mortgagor shall cause any such lien to be promptly paid and discharged, whether by payment, bonding or otherwise, within thirty (30) days after the filing of same.

(b) Mortgagee shall be subrogated, as further security for the Secured Obligations, to the lien of any lien, encumbrance or claim against the Mortgaged Estate paid out of the proceeds of the Loan, even though the same be released of record.

Section 7.05. Successors. The terms and provisions of this Mortgage, and the rights and obligations of Mortgagor and Mortgagee, shall inure to the benefit of and be binding upon Mortgagor and Mortgagee and their successors and assigns.

Section 7.06. Governing Law. This Mortgage shall be governed by and construed in accordance with the laws of the state in which the Mortgaged Estate is located.

Section 7.07. Release of Mortgage. Upon payment and performance in full of all of the Secured Obligations, Mortgagee shall, upon demand of Mortgagor but in no event later than the time prescribed by applicable law, release the Mortgaged Estate from the lien of this Mortgage and shall furnish Mortgagor with a properly executed and recordable instrument evidencing such release.

Section 7.08. Estoppel Certificate. Within twenty (20) days after request by Mortgagee, Mortgagor shall furnish Mortgagee a duly acknowledged written statement, in form satisfactory to Mortgagee, setting forth the amount of principal and interest then owing under the Note, any other charges payable under any Loan Documents, and stating whether any offsets or defenses exist to the indebtedness secured hereby.

Section 7.09. Mortgagee's Approval. In any instance under this Mortgage in which Mortgagee's approval shall be required, such approval may be given or withheld by Mortgagee in Mortgagee's sole discretion, and shall be final and conclusive. The granting of any approval by Mortgagee shall not be deemed a waiver of such right of approval to any future matter, and all approvals by Mortgagee must be in writing.

Section 7.10. Severability. If any term or provision of this Mortgage or the application thereof to any person or circumstance shall, to any extent, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof or any other circumstance or situation with respect to this Mortgage, and each remaining term and provision of this Mortgage shall be valid and be enforced to the fullest extent by law.

Section 7.11. Redemption. It is agreed that if this Mortgage covers less than ten acres of land, and in the event of the foreclosure of this Mortgage and sale of the property by sheriff's sale in such foreclosure proceedings, the time of one year for redemption from said sale provided by the statutes of the State of Iowa shall be reduced to six (6) months

provided the Mortgagee, in such action files an election to waive any deficiency judgment against Mortgagor which may arise out of the foreclosure proceedings; all to be consistent with the provisions of Chapter 628 of the Iowa code. If the redemption period is so reduced, for the first three (3) months after sale such right of redemption shall be exclusive to the Mortgagor, and the time periods in §§ 628.5, 628.15 and 628.16 of the Iowa Code shall be reduced to four (4) months.

It is further agreed that the period of redemption after a foreclosure of this Mortgage shall be reduced to sixty (60) days if all of the three following contingencies develop:

- (a) The Mortgaged Estate is less than ten acres in size;
- (b) The court finds affirmatively that the said Mortgaged Estate has been abandoned by the owners and those persons personally liable under this Mortgage at the time of such foreclosure; and
- (c) Mortgagee in such action files an election to waive any deficiency judgment against Mortgagor or its successor in interest in such action.

If the redemption period is so reduced, Mortgagor or its successor in interest or the owner shall have the exclusive right to redeem for the first thirty (30) days after such sale, and the time provided for redemption by creditors as provided in §§ 628.5, 628.15 and 628.16 of the Iowa Code shall be reduced to forty (40) days. Entry of appearance by pleading or docket entry by or on behalf of Mortgagor shall be a presumption that the property is not abandoned. Any such redemption period shall be consistent with all of the provisions of Chapter 628 of the Iowa Code. This paragraph shall not be construed to limit or otherwise affect any other redemption provisions contained in Chapter 628 of the Iowa Code.

Section 7.12. Attorneys' Fees. Mortgagor shall pay on demand all costs and expenses incurred by Mortgagee in enforcing or protecting its rights and remedies hereunder, including, but not limited to, reasonable attorneys' fees and legal expenses.

Section 7.13. Acknowledgment of Receipt. Mortgagor hereby acknowledges the receipt of a copy of this Mortgage together with a copy of each promissory note secured hereby.

ARTICLE VIII
Subordination

Only this Mortgage is subordinate to the lien on the Mortgage given by Mortgagor to Great Western Bank, Trustee, dated June 17th, 2004 in an amount not to exceed the sum of Ten Million Nine Hundred Forty Thousand and 00/100 Dollars (\$10,940,000.00).

IN WITNESS WHEREOF, Mortgagor has caused this Mortgage to be duly executed on the day and year set forth in the acknowledgment attached hereto and to be effective as of the date first set forth above.

The Reserve, a Nonprofit Corporation

[SEAL]

ATTEST:

By: Richard P. Walters

By: Leharles N. Rowley Name: Richard Walters
Title: President

I UNDERSTAND THAT HOMESTEAD PROPERTY IS IN MANY CASES PROTECTED FROM THE CLAIMS OF CREDITORS AND EXEMPT FROM JUDICIAL SALE; AND THAT BY SIGNING THIS MORTGAGE, I VOLUNTARILY GIVE UP MY RIGHT TO THIS PROTECTION FOR THIS MORTGAGED PROPERTY WITH RESPECT TO CLAIMS BASED UPON THIS MORTGAGE.

The Reserve, A Nonprofit Corporation

Dated: June 16, 2004

By: Richard P. Walters
Name: Richard Walters
Title: President

Acknowledgment

Exhibit A: Legal Description

[Corporate Acknowledgment]

STATE OF IOWA)
) ss:
COUNTY OF POLK)

On this 16 day of June, 2004, before me, a Notary Public in and for such county, personally appeared Richard Walters, to me personally known, who by me being duly sworn or affirmed did say that the person is the president of said corporation, that (the seal affixed to said instrument is the seal of said corporation or no seal has been procured by the said corporation) and that said instrument was signed (and sealed) on behalf of said corporation by the authority of its Board of Directors and the said Richard Walters acknowledged the execution of said instrument to be the voluntary act and deed of said corporation by it voluntarily executed.

(Seal)



Mary Kay Scherer
Notary Public (Typed Name)

PROPERTY DESCRIPTION:

AN IRREGULAR SHAPED PORTION OF LOT 7, COLBY WOODS WEST PLAT No. 7, AN OFFICIAL PLAT, URBANDALE, POLK COUNTY, IOWA IS DESCRIBED AS FOLLOWS:

COMMENCING AT THE NORTHWEST CORNER OF SAID LOT 7; THENCE, N90°00'00"E ALONG THE NORTH LINE OF SAID LOT 7, A DISTANCE OF 205.28 FEET TO THE POINT OF BEGINNING; THENCE, CONTINUING N90°00'00"E ALONG THE NORTH LINE OF SAID LOT 7, A DISTANCE OF 39.28 FEET; THENCE, N54°00'20"E ALONG THE NORTHERLY LINE OF SAID LOT 7, A DISTANCE OF 165.80 FEET; THENCE, S88°34'39"E ALONG THE NORTHERLY LINE OF SAID LOT 7, A DISTANCE OF 235.81 FEET TO THE NORTHEAST CORNER OF SAID LOT 7; THENCE, S06°24'08"W ALONG THE EASTERLY LINE OF SAID LOT 7, A DISTANCE OF 324.82 FEET TO THE SOUTHEAST CORNER OF SAID LOT 7; THENCE, S60°01'02"W ALONG THE SOUTHERLY LINE OF SAID LOT 7, A DISTANCE OF 207.55 FEET; THENCE, N29°58'24"W, A DISTANCE OF 386.64 FEET TO THE POINT OF BEGINNING.

SAID TRACT OF LAND BEING SUBJECT TO AND TOGETHER WITH ANY AND ALL EASEMENTS OF RECORD.

SAID TRACT OF LAND CONTAINS 2.63 ACRES MORE OR LESS.