Honan & Wenger

DELAWARE COUNTY IOWA
FILED
1999 JN -3 PM 2:40
BOOK 199 PAGE 1936
RECORDER
121.00

This instrument was prepared by: David L. Claypool, Dorsey & Whitney LLP, 801 Grand, Suite 3900, Des Moines, Iowa, 50309, (515) 283-1000

This Mortgage contains an after-acquired property clause. This mortgage constitutes a "construction mortgage" within the meaning of the Iowa Uniform Commercial Code.

MORTGAGE AND SECURITY AGREEMENT, ASSIGNMENT OF LEASES AND RENTS AND FIXTURE FINANCING STATEMENT

Good Neighbor Society

as Mortgagor

and

Community Savings Bank

as Trustee under the herein referred to Indenture of Trust

and

as Mortgagee

Dated as of June 1, 1999

TABLE OF CONTENTS

This Table of Contents is not a part of this Mortgage and Security Agreement and Fixture Financing Statement and is provided only for convenience of reference.

GRANTING CLAUSES 2
SECTION 1. Terms Defined 3
SECTION 2. Title to the Mortgaged Property and the Status of the Lien of this Mortgage; Maintenance of Lien; Recording; Further Assurance; After-Acquired Property 5
SECTION 3. Payments Under the Indenture of Trust 6
SECTION 4. Taxes and Assessments 6
SECTION 5. Maintenance and Repair 7
SECTION 6. Reserved. 7
SECTION 7. Inspection of the Mortgaged Property 7
SECTION 8. Compliance with Laws 7
SECTION 9. Advances 8
SECTION 10. Mortgage, Sale, Lease, etc. of the Mortgaged Property 9
SECTION 11. Defaults, Events of Default 9
SECTION 12. Remedies on Default 9
SECTION 13. Assignment of Rents, Issues and Profits; Receiver 12
SECTION 14. Litigation 12
SECTION 15. Non-Waiver 13
SECTION 16. Remedies Cumulative 13
SECTION 17. Waiver of Certain Rights and Remedies 13
SECTION 18. Attorneys Fees 13
SECTION 19. Usury 13
SECTION 20. Severability 14
SECTION 21. Security Interest 14
SECTION 22. Construction 14
SECTION 23. Amendments, Changes and Modifications 15
SECTION 24. Addresses for Notice and Demands 15
SECTION 25. Fixture Financing 15
SECTION 26. Discharge of Lien 16
SECTION 27. Acceptance of Trusts 16
SECTION 28. Concerning Any Successor Trustee 16
SECTION 29. Omitted. 16
SECTION 30. Indemnification of the Mortgagee 17
SECTION 31. Execution of Counterparts 17

THIS MORTGAGE AND SECURITY AGREEMENT AND FIXTURE FINANCING STATEMENT (the "Mortgage"), made as of the first day of June, 1999, by and between Good Neighbor Society (the "Mortgagor"), as Mortgagor, and Community Savings Bank (the "Trustee" or the "Mortgagee"), as Trustee under the Indenture of Trust, dated as of June 1, 1999 (the "Indenture of Trust") between the Mortgagor and the Trustee.

WITNESSETH:

WHEREAS, pursuant to the provisions of Chapter 419 of the Code of Iowa, 1997, as amended (the "Act"), the City of Manchester, Iowa (the "Issuer") has entered into a Loan Agreement, dated as of even date herewith (as amended from time to time, the "Agreement") with the Mortgagor pursuant to which the Issuer has agreed to issue its $1,750,000 Care Facility Revenue Bonds, Series 1999 (Good Neighbor Home Project) (the "Series 1999 Bonds") to provide funds necessary to assist in the financing of the cost of (i) constructing and equipping a 24 unit assisted living facility located across the street from 105 McCarren Drive, Manchester, Iowa (the "Project"), (ii) funding 18 months of capitalized interest, and (iii) paying for costs of issuance and certain other costs associated with the issuance of the Series 1999 Bonds; and

WHEREAS, the Agreement further provides that as a condition to the issuance of the Series 1999 Bonds to secure performance by the Mortgagor of its obligations under the Agreement, including the payment of sums sufficient to pay the Series 1999 Bonds and any Additional Bonds, as hereinafter defined (together, the "Bonds"), and as an inducement to the purchase of the Bonds by all who shall at any time become holders thereof, the Mortgagor will execute and deliver this Mortgage to the Trustee; and

WHEREAS, the Agreement further provides for the issuance and sale from time to time by the Issuer of Additional Bonds (the "Additional Bonds") for purposes provided in Section 3.7 of the Agreement to be of equal standing with the Series 1999 Bonds and which are to be equally and ratably secured under the Indenture of Trust and payable from sums payable by the Borrower under the Agreement; and

WHEREAS, the last stated maturity of the Series 1999 Bonds is June 1, 2019.

GRANTING CLAUSES

NOW, THEREFORE, for the purposes of securing the payment of all amounts now or hereafter advanced under the Indenture of Trust, owing under the Bonds or this Mortgage and the faithful performance of all covenants, conditions, stipulations and agreements of the Bonds, the Indenture of Trust and this Mortgage contained, and in consideration of the premises, and as an inducement to the purchase of the Bonds by all who shall at any time become holders thereof, and other good and valuable consideration the receipt whereof is hereby acknowledged, the Mortgagor has executed and delivered this Mortgage to the Mortgagee and the Mortgagor does hereby grant, bargain, sell, convey, transfer, assign, set over, mortgage, grant a security interest in, and warrant to the Mortgagee, its successors and assigns forever, all and singular the following described properties, whether now owned or hereafter acquired (herein collectively called the "Mortgaged Property") excepting therefrom any and all fixtures, machinery, equipment, furnishings and articles of personal property belonging to any lessees of the Mortgaged Property:

A. All of the tracts or parcels of land (the "Land") located in Delaware, Iowa, and more particularly described in Exhibit A attached hereto;

B. All buildings, structures, additions, improvements and appurtenances now standing or at any time hereafter constructed or placed on the Land;

C. All building materials, building equipment, fixtures and supplies of every kind and nature now or hereafter located on the Land and suitable or intended to be incorporated in any building, structure or other improvement now or hereafter standing on the Land;

D. All fixtures and articles of personal property of every kind and nature that may integrally belong to, be or hereafter become an integral part of the Land, and whether attached or detached, and whether now owned or hereafter acquired by Mortgagor, including, but without limiting the generality of the foregoing, any and all furniture, furnishings, partitions, carpeting, drapes, dynamos, screens, awnings, storm windows, floor coverings, disposal units, motors, engines, boilers, furnaces, pipes, plumbing, elevators, cleaning, call and sprinkler systems, fire extinguishing apparatus and equipment, water tanks, maintenance equipment, and all heating, lighting, ventilating, refrigerating, incinerating, air-conditioning and air-cooling equipment, gas and electric machinery, and all of the right, title and interest of the Mortgagor in and to any fixtures which may be subject to any title retention or security agreement superior in lien to the lien of this Mortgage, and all additions, accessions, increases, parts, fittings, accessories, replacements, substitutions, betterments, repairs and proceeds of all of the foregoing, all of which shall be construed as fixtures and will be conclusively construed, intended and presumed to be a part of the foregoing, whether or not permanently affixed to the Land, shall for the purpose of this Mortgage be deemed conclusively to be conveyed hereby, and as to all of the foregoing, whether personal property or fixtures, or both, a security interest is hereby granted by the Mortgagor and hereby attaches thereto, all as provided by the Iowa Uniform Commercial Code;

E. Any and all leases, subleases, licenses, concessions or grants of other possessory interests now or hereafter in force, oral or written, covering or affecting the building and improvements to be constructed on the Land;

F. All the rents, issues, uses, profits, condemnation awards, insurance proceeds and other rights and interests now or hereafter belonging or in any way pertaining to the Mortgagor's interest in the Land and each and every lease, sublease and agreement described in the foregoing paragraph E and every right, title and interest thereunder, from the date of this Mortgage until the terms hereof are complied with and fulfilled;

G. All machinery, apparatus, equipment, furnishings and personal property which may or might now or hereafter be or be deemed to be personalty and not an integral part of the Land (hereinafter called the "Equipment") and all additions, accessions, increases, parts, fittings, accessories, replacements, substitutions, betterments, repairs and proceeds of all of the foregoing, and a security interest is hereby granted by the Mortgagor and hereby attaches thereto, all as provided by the Iowa Uniform Commercial Code;

TOGETHER with the reversions, remainders and benefits and all other revenues, rents, earnings, issues and income and profits arising or to arise out of or to be received or had of and from the properties hereby mortgaged or intended so to be or any part thereof and all the estate, right, title, interest and claims, at law or in equity which the Mortgagor now or may hereafter acquire or be or become entitled to in and to the aforesaid properties and any and every part thereof. The above described Mortgaged Property is hereby declared to be subject to the lien of this Mortgage as security for the payment of the aforementioned indebtedness.

TO HAVE AND TO HOLD all and singular, the Mortgaged Property, whether now owned or hereafter acquired, unto the Mortgagee, its successors and assigns forever; provided, however, that this Mortgage is upon the express condition that if the Mortgagor shall pay or cause to be paid all indebtedness secured hereby and shall keep, perform and observe all and singular the covenants and promises in the Bonds and in this Mortgage expressed to be kept, performed and observed by the Mortgagor, then this Mortgage and the rights hereby granted shall cease, determine and be void, otherwise to remain in full force and effect.

As additional security for the payment of the Bonds and the amounts due under the Indenture of Trust, the Mortgagor hereby further covenants, warrants and agrees with the Mortgagee as follows:

SECTION 1. Terms Defined.

All words and phrases defined in Article I of the Indenture of Trust shall have the same meaning in this Mortgage, unless the context clearly otherwise requires. In addition, the following words and phrases shall have the following meanings:

"Default Rate" means a fluctuating interest rate equal to 200 Basis Points above the lowest prime rate of interest for United States money center banks as published in the Wall Street Journal;

"Net Proceeds", when used with respect to any insurance or condemnation award, means the gross proceeds from the insurance or condemnation award remaining after payment of all expenses (including attorneys, fees and any extraordinary expenses of the Mortgagee) incurred in the collection of such gross proceeds.

"Permitted Encumbrances" means, as of any particular time:

(i) liens for ad valorem taxes and special assessments or installments thereof not then delinquent;

(ii) presently recorded utility, access and other easements and rights of way which do not underlie any existing or contemplated improvements, restrictions and exceptions that will not materially interfere with or impair any activities permitted under applicable zoning ordinances or the operations currently being conducted on the Mortgaged Property or elsewhere on the Land;

(iii) such minor defects, irregularities, encumbrances (exclusive of liens and judgments) and clouds on title as normally exist with respect to properties similar in character to the Mortgaged Property and as do not in the aggregate render title unmarketable or materially impair (a) the property affected thereby for the purpose for which it was acquired or is held by the Mortgagor or (b) the value of the Mortgaged Property as security for any other obligations secured hereby;

(iv) zoning and building laws, ordinances or regulations and similar restrictions which are not violated by the Mortgaged Property or its current or contemplated uses;

(v) liens arising in connection with taxes, assessments, or statutory obligations or liens which are not delinquent;

(vi) undetermined or inchoate liens and charges incidental to construction, which have not at the time been filed pursuant to law, including those of contractors, subcontractors, materialmen and suppliers with respect to the Project, expressly excluding any such liens or charges as and when same are filed, become determined or a choate lien or encumbrance upon the Mortgaged Property unless such liens are being contested in good faith by appropriate negotiations or proceedings and in a manner not to jeopardize any of the Mortgaged Property or subject the Mortgagee to any liability and adequate reserves as agreed upon by the Mortgagor and the Mortgagee are maintained by the Mortgagor with the Mortgagee in escrow to assure full payment thereof;

(vii) such other liens and charges at the time required by law as a condition precedent to the exercise of any privileges or licenses necessary to the normal operations of the Mortgagor which are not delinquent; and

(viii) this Mortgage and any financing statements showing the Mortgagor as the debtor and the Mortgagee as the secured parties.

(ix) any subsequent mortgage executed by Mortgagor and granting a lien on any part of the Mortgaged Property on the condition that any such mortgage contains a clause expressly stating that this Mortgage is superior to and has priority over the subsequent mortgage.

SECTION 2. Title to the Mortgaged Property and the Status of the Lien of this Mortgage; Maintenance of Lien; Recording; Further Assurance; After-Acquired Property.

(a) The Mortgagor is lawfully seized of fee simple title in and to the Land and the lien created by this Mortgage is a first, prior and paramount lien on the Mortgagor's interest in and to the Land and the remainder of the above described Mortgaged Property, except for Permitted Encumbrances, and Mortgagor will keep said premises and the rights, privileges and appurtenances thereto free from all lien claims of every kind on a parity with or superior to the lien of this Mortgage and free from all subordinate financings of every kind and any liens thereof, except Permitted Encumbrances, and if any such lien be filed, Mortgagor, within thirty (30) days after such filing shall cause same to be discharged by payment or protected against by bonding or adequate reserves as agreed upon by the Mortgagor and the Mortgagee being maintained with the Mortgagee in escrow. The Mortgagor further agrees to protect and defend the title and possession of the Mortgaged Property so that this Mortgage shall be and remain a lien thereon prior to all liens other than Permitted Encumbrances until the Bonds and the indebtedness secured hereby have been fully paid, or if foreclosure sale be had hereunder so that the purchaser at said sale shall acquire good title in and to said premises free and clear of all liens and encumbrances, except Permitted Encumbrances;

(b) The Mortgagor will, at its expense, take all necessary action to maintain and preserve the lien and security interest of this Mortgage so long as any of the Bonds and any of the indebtedness or other Bonds secured hereby remain outstanding;

(c) The Mortgagor will, forthwith after the execution and delivery of this Mortgage and thereafter from time to time, cause this Mortgage and any financing statements in respect thereof to be filed, registered and recorded in such manner and in such places as may be required by law in order to publish notice of and fully to protect the lien hereof upon, and the title of the Mortgagor to, the Mortgaged Property; and from time to time will perform or cause to be performed any other act as provided by law and will execute or cause to be executed any and all continuation statements and further instruments for such publication and protection (including any necessary notation on the certificate of title of any of the Equipment for which a certificate of title is issued at any time). Except to the extent that it is exempt therefrom, the Mortgagor will pay or cause to be paid all filing, registration and recording fees incident to such filing, registration and recording, and all expenses incident to the preparation, execution and acknowledgment of this assurance, and all federal or state fees and other similar fees, duties, imposts, assessments and charges arising out of or in connection with the execution and delivery of this Mortgage and such instruments of further assurance;

(d) The Mortgagor will do, execute, acknowledge and deliver, or cause to be done, executed, acknowledged and delivered, all such further acts, deeds, conveyances, mortgages, assignments, transfers, financing statements, continuation statements and assurances as the Mortgagee reasonably may require for the better assuring, conveying, mortgaging, assigning and confirming unto the Mortgagee all and singular the Mortgaged Property as now or hereafter constituted; and

(e) All right, title and interest of the Mortgagor in and to all improvements, betterments, renewals, substitutions, replacements and proceeds of the Mortgaged Property or any part thereof, hereafter constructed or acquired by the Mortgagor, which shall become a part of the Mortgaged Property, immediately upon such construction or acquisition, and without any further mortgaging, conveyance or assignment, shall become and be part of the Mortgaged Property and shall be subject to the lien of this Mortgage as fully and completely and with the same effect as though now owned by the Mortgagor, but at any and all times the Mortgagor will execute and deliver to the Mortgagee any and all such further assurances, mortgages, conveyances or assignments therefor and other instruments with respect thereto as the Mortgagee may reasonably require for the purpose of expressly and specifically subjecting the same to the lien of this Mortgage.

SECTION 3. Payments Under the Indenture of Trust.

The Mortgagor agrees to pay the repayment installments and other amounts referred to in the Loan Agreement and in the Bonds in accordance with its terms.

SECTION 4. Taxes and Assessments.

The Mortgagor agrees to promptly pay before the same become delinquent:

(a) All taxes, liabilities, charges, impositions and assessments of every type or nature at any time levied and assessed upon or against the Mortgaged Property;

(b) All other claims which might or could become a lien on the Mortgaged Property or any part thereof equal to or prior to the lien of this Mortgage except for Permitted Encumbrances;

(c) All taxes, assessments or impositions upon this Mortgage or on the interest of the Mortgagee herein, or upon the Bonds or indebtedness secured hereby.

Provided, however, that no such tax, liability, charge, imposition, assessment or claim need be paid so long as the validity thereof is being contested in good faith by appropriate proceedings and in a manner not to jeopardize any of the Mortgaged Property or to subject the Mortgagee to any liability, and adequate reserves as agreed upon by the Mortgagor and the Mortgagee are maintained by the Mortgagor with the Mortgagee in escrow to assure full payment thereof.

The Mortgagor will not, unless approved in writing by the Mortgagee, at any time create, allow to arise or exist any lien of whatsoever kind or nature equal to or prior to the lien of this Mortgage, or

create, allow to arise or exist any subordinate financing of any kind or any lien thereof upon the Mortgaged Property, or any part thereof, save and except Permitted Encumbrances or which, as herein provided, are permitted to remain unpaid.

The Mortgagor agrees to exhibit to the Mortgagee, at least annually and at any time upon request, official receipts showing payment of all taxes, assessments and charges which the Mortgagor is required or elects to pay hereunder ten days prior to the respective delinquency dates.

SECTION 5. Maintenance and Repair.

The Mortgagor shall at all times maintain, preserve and keep the Mortgaged Property and every part thereof in good condition, repair and working order and will from time to time make all needful and proper repairs thereto and renewals, replacements, additions, betterments and improvements thereto so that the value and the operating efficiency thereof shall at all times be maintained and preserved. The Mortgagor will not commit or permit waste of the Mortgaged Property or any part thereof, and shall not remove or demolish nor alter or impair the structural character of any building, structure, or other improvements now or hereafter situated upon the Land without the prior written consent of the Mortgagee, and shall not do or permit any other act or thing that will damage the Mortgaged Property or cause the same or any part thereof to depreciate in value.

SECTION 6. Reserved.

SECTION 7. Inspection of the Mortgaged Property.

The Mortgagee may (but has no duty to) by itself, its agents or workmen enter and inspect only on an annual basis, unless an Event of Default has occurred, any part of the Mortgaged Property for the purpose of inspecting the same and for the purpose of performing any of the acts it is authorized to perform under the terms of this Mortgage.

SECTION 8. Compliance with Laws.

The Mortgagor shall furnish and keep in force a certificate of occupancy, or its equivalent, and shall comply with all laws, ordinances, regulations, covenants, conditions and restrictions from time to time affecting the Mortgaged Property and shall not suffer or permit any act to be done in or upon the Mortgaged Property in violation thereof, unless and to the extent the same are being contested in good faith by appropriate proceedings and in a manner not to jeopardize the Mortgaged Property or the lien or priority of this Mortgage or the Bonds or subject the Mortgagee to any liability.

Except as heretofore disclosed by the Mortgagor to Mortgagee in writing, the Mortgagor has no knowledge of any public health, environmental or other land-use action or proceeding, either instituted or threatened, which would or might detrimentally affect the use or operation of the Mortgaged Property or adversely affect the value thereof. Promptly upon learning of any such action or proceeding, whether threatened or initiated, the Mortgagor will notify the Mortgagee thereof in writing.

All public health and environmental permits, licenses and authorizations required by law, ordinance or regulation, if any, in connection with the intended use or operation of the Mortgaged Property have been obtained; and the Mortgagor and any lessee claiming by, through or under the Mortgagor at all times hereafter will be in full compliance with all requirements of all such permits, licenses, authorities, laws, regulations and ordinances.

If any of the foregoing covenants or representations are breached or prove to be inaccurate in any material respect, then, in addition to all rights, powers and remedies granted to the Mortgagee by law hereunder (including rights of acceleration of indebtedness as in the case of any other default or Event of Default hereunder or under any obligation secured hereby) the Mortgagee, upon failure of the Mortgagor to do so and in exercise of its reasonable judgment, may (but shall not be required to) do any or all of the following, at the expense of the Mortgagor:

(a) Appear in and defend any such action or proceeding; and

(b) Retain such legal and technical advice and counsel as the Mortgagee believe necessary to protect itself and the security of this instrument.

The Mortgagor hereby agrees to indemnify, protect and hold the Mortgagee harmless of and from all loss or damage (including reasonable attorneys' fees and expenses) which the Mortgagee may incur by reason of any material breach or inaccuracy in any of the covenants or representations contained in this Section.

If any action has occurred in the past which would constitute a violation of any of the laws, ordinances and regulations referred to in this Section, the Mortgagor hereby agrees to indemnify, protect and hold the Mortgagee harmless of and from all loss or damage (including reasonable attorneys' fees and expenses) which the Mortgagee may incur by reason thereof.

SECTION 9. Advances.

Upon the Mortgagor's failure to comply with the preceding covenants and agreements, the payment of prior liens, liens on a parity with this Mortgage, taxes, assessments and charges, maintenance of insurance and repairs as required by the Agreement and this Mortgage, the Mortgagee without prejudice to any rights given herein, may make advances to perform the same in behalf of the Mortgagor, and in furtherance thereof, the Mortgagee may place or cause the Mortgaged Property to be placed in good condition, repair and working order; pay, settle or contest any such taxes, liabilities, charges and assessments; redeem the Mortgaged Property from any sale or forfeiture for any tax or assessment; purchase any tax title obtained or that shall be obtained thereon; pay any judgments based on such tax or assessment; pay, settle or contest any unpermitted lien on the Mortgaged Property and procure such insurance as may be necessary to comply with the provisions of this Mortgage, and the Mortgagor hereby agrees to repay all sums so advanced, on demand, with interest thereon, to the extent permitted by law, from the date advanced until paid at the Default Rate, and all sums so advanced with interest as aforesaid until paid by the Mortgagor shall be immediately due and payable and be added to and become

a part of any indebtedness or obligation secured hereby in such manner or order as the Mortgagee may desire or determine, having the benefit of the lien hereby created as a part thereof, and of its priority, but no such advances shall be deemed to relieve the Mortgagor from any default hereunder or impair any right or remedy consequent thereon, and the exercise of the rights to make advances granted in this Section shall be optional with the Mortgagee and not obligatory, and the Mortgagee shall not in any case be liable to the Mortgagor for failure to exercise any such right.

SECTION 10. Mortgage, Sale, Lease, etc. of the Mortgaged Property.

The Mortgagor will not, now or in the future, mortgage, pledge or encumber or place any lien or encumbrance (or permit same to exist) on the Mortgaged Property, or any part thereof except for Permitted Encumbrances.

The Mortgagor shall not lease, sell, convey, transfer or otherwise alienate in any manner, whether directly or indirectly, any right, title or interest in the Mortgaged Property, or any part thereof except as expressly permitted under the Indenture of Trust or Paragraph (ix) under Permitted Encumbrances.

The Mortgagor may grant a subsequent mortgage on the Mortgaged Property, or any part thereof, if such subsequent mortgage complies with Paragraph (ix) under Permitted Encumbrances.

SECTION 11. Defaults, Events of Default.

If any of the following defaults occur, it is hereby declared to constitute an "Event of Default":

(a) The occurrence of an Event of Default, under the Indenture of Trust; or

(b) The failure of the Mortgagor to observe and perform any covenant, condition or agreement on its part to be observed or performed in this Mortgage (other than an occurrence which may sooner constitute an Event of Default under the Indenture of Trust) for a period of sixty (60) days after written notice specifying such failure and requesting that it be remedied, given to the Mortgagor by the Mortgagee, unless the Mortgagee shall agree in writing to an extension of such time prior to its expiration.

SECTION 12. Remedies on Default.

Upon the occurrence of an Event of Default:

(a) The Mortgagee may, at its option, by notice in writing to the Mortgagor, declare the installments under the Loan Agreement and in the Bonds remaining unpaid immediately due and payable and accelerate the Bonds, upon the same terms and conditions and in the manner provided for in the Indenture of Trust;

(b) The Mortgagee may, at its option, after notice in writing to the Mortgagor, institute proceedings for the collection at law or in equity of any and all indebtedness due under the provisions of the Loan Agreement secured by this Mortgage;

(c) The Mortgagee may, at its option, after notice in writing to the Mortgagor, immediately cause this Mortgage to be foreclosed in the manner prescribed by law and, upon the commencement of foreclosure proceedings, shall be entitled to have a receiver appointed at once or at any time thereafter, either before or after sale, without notice and without requiring bond, and without regard to the solvency or insolvency of any person liable for payment of the indebtedness secured hereby, and without regard to the then value of the Mortgaged Property (the provisions for the appointment of a receiver and assignment of rents hereby granted to the Mortgagee being an express condition upon which the loans and payments hereby secured are made) for the benefit of the Mortgagee, with power to rent the same and to collect the rents, issues and profits of the Mortgaged Property, due and to become due, during the pendency of such foreclosure suit and in the case of a sale and deficiency, during the full statutory period of redemption whether there be redemption or not, as well as during any future times when the Mortgagor, except for the intervention of such receiver, would be entitled to collect such rents, issues and profits and shall have all other powers which may be necessary or are usual in such cases for the protection, possession, control, management and operation of the Mortgaged Property during the whole of said period. Any amount so collected by such receiver, whether prior to or following foreclosure, shall be applied under direction of the court upon the costs and expenses of foreclosure and receivership, expense of insurance on the improvements, expense of repairs, taxes, assessments, and the balance shall be paid to the Mortgagee to be applied on the indebtedness secured by this Mortgage.

(d) The Mortgagee may, at its option, after 10 days notice in writing to the Mortgagor, at any time either by its agents, attorneys, employees or by a receiver to be appointed by a court and without regard to the adequacy of any security for the indebtedness hereby secured, either with or without process of law, forcibly or otherwise, enter upon and take possession of the Mortgaged Property or any part thereof, expel and remove any persons, goods or chattels occupying or upon the same, do and perform any act that the Mortgagee may deem necessary or proper to conserve the value thereof, and to collect and receive all rents, issues and profits therefrom, including those past due and unpaid, as well as those accruing thereunder, to manage and control the same, and to lease the same or any part thereof. The Mortgagor further agrees that the Mortgagee may also take possession of, and use any and all personal property contained in the Mortgaged Property and used by the Mortgagor in the operation, rental or leasing of the Mortgaged Property or any part thereof. The expense (including receiver's fees, if any, and compensation to any agent appointed by the Mortgagee, and counsel fees and costs and disbursements) incurred in taking possession and effecting such collection, shall be deemed a portion of the expense of this Mortgage secured hereby. Neither the collection of such rents, issues and profits and the application or release thereof as aforesaid shall cure or waive any default. After deducting all attorneys fees and expenses incurred in connection herewith, the remaining net income shall be paid to the Mortgagee to be applied upon the indebtedness secured hereby.

In any suit to foreclose the lien of this Mortgage there shall be allowed and included in the decree for sale, to be paid out of the proceeds of such sale:

(a) All of the principal remaining unpaid on the Bonds, plus all interest accrued thereon and which will accrue thereon to the date of payment, plus interest on the foregoing amounts of principal and interest (to the extent permitted by law) from their respective due dates until paid;

(b) All items advanced or paid by the Mortgagee pursuant to this Mortgage, with interest thereon at the Default Rate per annum from the date of advancement until paid; and

(c) All court costs, attorneys' fees, appraisers' fees, expenditures for documentary and expert evidence, stenographer's charges, publication costs, and costs (which may be estimated as to items to be expended after entry of the decree) of procuring all abstracts of title, title searches and examinations, title guarantee policies, and similar data with respect to title which the Mortgagee may deem necessary in connection with any proceeding, including probate and bankruptcy proceedings, to which the Mortgagee shall be a party, either as plaintiff, claimant or defendant, by reason of this Mortgage or any indebtedness secured or in connection with preparations for the commencement of any suit for the foreclosure hereof after accrual of such right to foreclose, whether or not actually commenced, and all such expenses shall become so much additional indebtedness secured hereby and immediately due and payable, with interest thereon at the Default Rate per annum from the date when paid or incurred by the Mortgagee until paid.

The proceeds of any foreclosure shall be distributed and applied to the items described in (b) and (c) of this Section, in the order of their listing, then to (a) to be applied in the manner provided in Article V of the Indenture of Trust and any surplus of the proceeds of such sale shall be paid to the Mortgagor.

In case of any sale under this Mortgage by virtue of judicial proceedings or otherwise, the Mortgaged Property may be sold in one parcel, as an entirety or in such parcels, manner or order as the Mortgagee in its sole discretion may elect, and the Mortgagor waives any and all rights which the Mortgagor may have to insist upon the sale of the Mortgaged Property in one parcel or separate parcels.

To the extent permitted by law, the Mortgagor hereby waives any and all rights of redemption or reinstatement that it may have.

If the aforesaid waiver of redemption is not effective, then in the event of foreclosure of this Mortgage and sale of the property in sheriff's sale on special execution in said foreclosure proceedings, the period of one hundred eighty days for redemption from said sale provided by the statutes of the State of Iowa shall be reduced to ninety days, provided the Mortgagee waives in said foreclosure proceedings any rights to a deficiency judgment against the Mortgagor which may arise out of the foreclosure proceedings.

If the aforesaid waiver of redemption is not effective, then it is further agreed that the period of redemption after a foreclosure of this Mortgage shall be reduced to sixty days if both of the following contingencies develop: (1) the Court finds affirmatively that said real estate has been abandoned by the Mortgagor and those persons personally liable under this Mortgage at the time of such foreclosure; and

(2) the Mortgagee files an election to waive any deficiency judgment against the Mortgagor or its successors in interest in such action.

Any sale or sales under this Section shall operate, after any applicable redemption period, to divest all estate, right, title, interest, claim or demand whatsoever, whether at law or in equity, of the Mortgagor in and to the premises, property, privileges and rights so sold, and shall be a perpetual bar both at law and in equity against the Mortgagor, its successors and assigns and against any and all persons claiming or who may claim the same, or any part thereof, from, through or under the Mortgagor, its successors or assigns.

SECTION 13. Assignment of Rents, Issues and Profits; Receiver.

All of the rents, issues, proceeds and profits and any and all leases, subleases and the rights of management of the Mortgaged Property are hereby assigned to the Mortgagee as further security for the payment of the indebtedness and performance of the Bonds, covenants, promises and agreements secured hereby in granting clauses E and F hereof. Such assignment, grant and conveyance is intended by the parties hereto to be a present conveyance of and security interest in and chattel mortgage upon such collateral, subject to the right of the Mortgagor to receive the same prior to any default hereunder, and is not a mere pledge of such collateral to be given effect as a lien upon default, foreclosure and the appointment of a receiver. The Mortgagor agrees that it will duly perform and observe all of the terms and provisions of the landlord's part to be performed and observed under any and all leases of the Mortgaged Property and that it will refrain from any action or inaction which would result in the termination by the tenants thereunder of any such leases or subleases or in the diminution of the value thereof or of the rents, issues, profits and revenues thereunder. Nothing herein contained shall be deemed to obligate the Mortgagee to perform or discharge any obligation, duty or liability of landlord under any lease of the Mortgaged Property, and the Mortgagor shall and does hereby agree to indemnify and hold the Mortgagee harmless from any and all liability, loss or damage which the Mortgagee may or might incur under any lease of the Mortgaged Property, and any and all such liability, loss or damage incurred by the Mortgagee, together with the costs and expenses, including reasonable attorneys' fees, incurred by the Mortgagee in the defense of any claims or demands therefor (whether successful or not), shall be so much additional indebtedness hereby secured, and the Mortgagor shall reimburse the Mortgagee therefor on demand, together with interest at the Default Rate per annum, from the date of demand to the date of payment.

SECTION 14. Litigation.

If any action or proceedings be commenced, to which action or proceeding the Mortgagee is made a party by reason of the execution of this Mortgage or in which the Mortgagee deems it necessary to appear or answer in order to uphold the lien of this Mortgage or the priority thereof or the possession of the Mortgaged Property, or otherwise to protect the interest of the Bondholders or the Mortgagee or security hereunder, all sums paid or incurred by the Mortgagee for attorneys fees and other expenses in such action or proceeding shall be repaid by the Mortgagor, together with interest thereon to the extent permitted by law from the date of payment by the Mortgagee at the Default Rate per annum until paid

and all such sums and the interest thereon shall be immediately due and payable and shall be added to and become a part of the indebtedness secured hereby, and be secured hereby, having the benefit of the lien hereby created and of its priority.

SECTION 15. Non-Waiver.

Acceptance by the Mortgagee of any sum in payment or part payment of any indebtedness secured hereby after the same is due or after foreclosure proceedings are filed shall not constitute a waiver of the right to require prompt payment when due of all the sums so secured nor shall such acceptance cure or waive any remaining default or invalidate any foreclosure proceedings for any such remaining default or prejudice any of the rights of the Bond Holders or the Mortgagee under this Mortgage. Further, the failure of the Mortgagee to insist upon the strict performance of any of the covenants or agreements of the Mortgagor contained in this Mortgage, or the delay by the Mortgagee in the enforcement of any of its remedies herein contained upon any default of the Mortgagor shall never constitute a waiver of any requirement or obligation of the Mortgagor or right or remedy of the Mortgagee contained in or based upon said covenants or agreements.

SECTION 16. Remedies Cumulative.

No remedy herein or in the Indenture of Trust conferred upon or reserved to the Mortgagee is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute. In addition, no recovery of any judgment by the Mortgagee and no levy of any execution under any judgment upon the Mortgaged Property or upon any other property shall affect the lien created by this Mortgage upon the Mortgaged Property or any part thereof or any lien, rights, powers or remedies of the Mortgagee hereunder, but such lien, rights, powers or remedies of the Mortgagee shall continue unimpaired as before.

SECTION 17. Waiver of Certain Rights and Remedies.

If applicable and if permitted by law, the Mortgagor hereby waives and releases any and all rights and remedies related to redemption or marshalling of liens and assets under the Mortgage.

SECTION 18. Attorneys Fees.

The Mortgagor hereby agrees in the event of foreclosure to pay to the Mortgagee such reasonable attorneys fees as are authorized by law, together with the cost of extending the abstract and all court costs.

SECTION 19. Usury.

Notwithstanding any provision herein or in the Indenture of Trust, the total liability for payments in the nature of interest shall not exceed the limits imposed by the usury laws of Iowa, if any.

SECTION 20. Severability.

If any provision hereof should be held unenforceable or void, then such provision shall be deemed separable from the remaining provisions and shall in no way affect the validity of this Mortgage.

All rights, remedies and powers provided by this Mortgage may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law in the premises, and all the provisions of this Mortgage are intended to be subject to all applicable mandatory provisions of law which may be controlling in the premises and to be limited to the extent necessary so that they will not render this Mortgage invalid or unenforceable under the provisions of any applicable law.

SECTION 21. Security Interest.

An express security interest is hereby granted to the Mortgagee in respect to any part of the Mortgaged Property which under the Iowa law might now or hereafter be construed or considered as personal property or fixtures, or otherwise be considered collateral subject to the Iowa Uniform Commercial Code, including without limitation the collateral described in granting clauses D and G hereof, and this Mortgage shall constitute a security agreement in respect thereto.

Upon the occurrence of an Event of Default hereunder in addition to the other rights and remedies available to it, the Mortgagee may exercise all other rights and remedies with respect to such property that are available to a secured party under the Iowa Uniform Commercial Code. The Mortgagor agrees to pay any reasonable attorney fees and legal expenses incurred by the Mortgagee in enforcing or protecting its rights under the security interest created hereunder. In the event notice of intended disposition of such property is required by law in any particular instance, the Mortgagor agrees that notice given in the manner and place provided in Section 24 hereunder and sent ten (10) days prior to a disposition of collateral is commercially reasonable notification within the meaning of the Iowa Uniform Commercial Code. Information concerning the security interests may be obtained from the Secured Party (the Mortgagee) at the address set forth in Section 24 hereof and the mailing address of the Debtor (Mortgagor) is also set forth in Section 24 hereof.

The Mortgagor warrants and agrees that no financing statement or security agreement covering any of the Mortgaged Property is or will be placed on file in any public office or delivered to any secured party except pursuant hereto, except for Permitted Encumbrances.

The Mortgage shall constitute a "construction mortgage" within the meaning of the Iowa Uniform Commercial Code.

SECTION 22. Construction.

This Mortgage shall be construed according to the laws of the State of Iowa.

SECTION 23. Amendments, Changes and Modifications.

The Mortgagor and the Mortgagee may from time to time enter into amendments, changes and modifications of this Mortgage, but only in writing signed by Mortgagor and Mortgagee and in accordance with the provisions of Article VII of the Indenture of Trust.

SECTION 24. Addresses for Notice and Demands.

All notices, demands, certificates or other communications hereunder shall be personally delivered or mailed by registered or certified mail, postage prepaid, with proper address as indicated below. The Mortgagor and the Mortgagee may, by written notice given by each to the others, designate any address or addresses to which notices, demands, certificates or other communications to them shall be sent when required as contemplated by this Mortgage. Until otherwise provided by the respective parties, all notices, demands, certificates and communications to each of them shall be addressed as follows:

To the Mortgagor:	Good Neighbor Society 105 McCarren Drive Manchester, Iowa 52057 Attention: Administrator
To the Mortgagee:	Community Savings Bank P.O. Box 77 101 E. Union Edgewood, Iowa 52042 Attention: President

All such notices and other communications shall be deemed given when delivered or, if mailed, three days after the date of deposit in the mails, addressed as aforesaid, or upon receipt thereof, whichever is earlier.

SECTION 25. Fixture Financing.

From the date of its recording, this Mortgage shall be effective as a financing statement filed as a fixture filing with respect to the collateral described in the Granting Clauses hereof which are fixtures within the meaning of the Iowa Uniform Commercial Code, and for this purpose the name and address of the debtor is the name and address of the Mortgagor, as set out in Section 24 herein, and the name and address of the secured party is the name and address of the Mortgagee, as set out in Section 24 hereof. Pursuant to the provisions of Section 554.9403 subparagraph 6 of the Iowa Code, such fixture filing remains in effect until this Mortgage is released or satisfied of record or its effectiveness otherwise terminates as to the Land.

SECTION 26. Discharge of Lien.

If the Mortgagor shall pay and discharge or provide, in a manner satisfactory to the Mortgagee, for the payment and discharge of the whole amount of all sums payable hereunder and under the Indenture of Trust and the Bonds, or shall make arrangements satisfactory to the Mortgagee for such payment and discharge, then and in that case all property, rights and interest hereby conveyed or assigned or pledged shall revert to the Mortgagor, and the estate, right, title and interest of the Mortgagee therein shall thereupon cease, terminate and become void; and this Mortgage, and the covenants of the Mortgagor contained herein, shall be discharged and the Mortgagee in such case on demand of the Mortgagor and at the Mortgagor's cost and expense, shall execute and deliver to the Mortgagor a proper instrument or proper instruments acknowledging the satisfaction and termination of this Mortgage, and shall convey, assign and transfer or cause to be conveyed, assigned or transferred, and shall deliver or cause to be delivered, to the Mortgagor, all property, including money, then held by the Mortgagee hereunder.

SECTION 27. Acceptance of Trusts.

The Mortgagee hereby accepts the trusts imposed upon it by this Mortgage and agrees to perform said trusts but only upon and subject to the terms and conditions set forth in Article VI of the Indenture of Trust insofar as they may be applicable hereto.

SECTION 28. Concerning Any Successor Trustee.

Every successor Trustee appointed under the Indenture of Trust shall thereupon automatically be and become successor Mortgagee hereunder and shall execute, acknowledge and deliver to its or his or her predecessor and also to the Mortgagor an instrument in writing accepting such appointment hereunder and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessors hereunder; but such predecessor shall, nevertheless, on the written request of the successor Trustee, execute and deliver an instrument transferring to such successor all the estates, properties, rights, powers and trusts of such predecessor hereunder; and every predecessor Trustee shall deliver all securities and moneys held by it as Mortgagee hereunder to its successor. Should any instrument in writing from the Mortgagor be required by any successor Trustee for more fully and certainly vesting in such successor the estate, rights, powers and duties hereby vested or intended to be vested in the predecessor, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Mortgagor. The resignation of any Trustee and the instrument or instruments removing any Trustee and appointing a successor hereunder, together with all other instruments provided for in this Section, shall be filed or recorded by the successor Trustee in each recording office where the Mortgage shall have been filed or recorded.

SECTION 29. Omitted.

SECTION 30. Indemnification of the Mortgagee.

The Mortgagor agrees to indemnify and save harmless the Mortgagee not in possession of the Mortgaged Property against any and all losses, injuries, claims, damages or injuries to persons or property, demands and expenses, including legal expenses, of whatsoever kind and nature and by whomsoever made arising from or in any manner directly or indirectly growing out of (a) the use and occupancy or nonuse of the Mortgaged Property or any equipment or facilities thereon or used in connection therewith by anyone whomsoever, (b) any repairs, construction, restoration, replacements, alterations, remodeling on or to the Mortgaged Property, or any part thereof, or any equipment or facilities therein or thereon, and (c) the condition of the Mortgaged Property including any adjoining sidewalks, ways or alleys and any equipment or facilities at any time located thereon or used in connection therewith.

SECTION 31. Execution of Counterparts.

This Mortgage may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the Mortgagor has caused these presents to be signed and sealed in their names and behalf by their duly authorized officers, all as of the day and year first above written.

GOOD NEIGHBOR SOCIETY

By David Knaak
President

By Zeta L. Wiemann
Secretary

(No Seal)

IN WITNESS WHEREOF, the Mortgagee has caused these presents to be signed and sealed in its name and behalf by its duly authorized officer, all as of the day and year first above written.

COMMUNITY SAVINGS BANK,
as Trustee

By _____
Steven A. Brady, President

(Seal)

STATE OF IOWA)
) SS:
COUNTY OF DELAWARE)

On this 1st day of June, 1999, before me, the undersigned, a Notary Public in and for the State of Iowa, personally appeared David Knaak and Zeta Nieman, to me personally known, who being by me duly sworn did say that they are the President and Secretary, respectively of Good Neighbor Society the corporation executing the within and foregoing Mortgage to which this is attached; that said corporation has no seal; that said instrument was signed on behalf of said corporation by authority of its Board of Directors and that David Knaak and Zeta Nieman, as such officers, acknowledged the execution of said instrument to be the voluntary act and deed of said corporation by it and by them voluntarily executed.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

By Barbara P. Ogden
Notary Public



(Seal)

STATE OF IOWA)
) SS:
COUNTY OF DELAWARE)

On this 1st day of June, 1999, before me, the undersigned, a Notary Public in and for the State of Iowa, personally appeared Steven A. Brady, to me personally known, who being by me duly sworn did say that he is a President of Community Savings Bank, the state banking corporation executing the within and foregoing Mortgage to which this is attached; that the seal affixed thereto is the seal of the said state banking corporation; that said instrument was signed and sealed on behalf of said state banking corporation by authority of its Board of Directors and that the said Steven A. Brady, as such officer, acknowledged the execution of said instrument to be the voluntary act and deed of said state banking corporation by it and by him/her voluntarily executed.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

By Regina R. Seloover
Notary Public

NOTARIAL SEAL IOWA
REGINA R. SELOOVER
MY COMMISSION EXPIRES
05/18/2001

(Seal)

EXHIBIT A

DESCRIPTION OF THE LAND

The following described real estate located in Delaware County, Iowa:

The Northwest Quarter (NW ¼) of the Southwest Quarter (SW ¼) of the Southeast Quarter (SE ¼) of Section Twenty Eight (28), Township Eighty Nine (89) North, Range Five (5), West of the Fifth P.M.,