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NICKI UTSLER
RECORDER
WATSON COUNTY, IOWA

REC \$ 105⁰⁰
AUD \$ _____
R.M.F. \$ 1⁰⁰
5⁰⁰

COMPUTER	<input checked="" type="checkbox"/>
RECORDED	<input checked="" type="checkbox"/>
COMPARED	<input checked="" type="checkbox"/>

Prepared by: David D. Grossklaus, Dorsey & Whitney LLP, 801 Grand, Suite 3900, Des Moines, Iowa, 50309, (515) 283-1000

MORTGAGE

WILDWOOD HILLS, INC.

as Mortgagor

and

FARMER'S & MERCHANTS STATE BANK

as Mortgagee

Dated as of August 1, 2003

Notice: This mortgage secures credit in the amount of \$850,000. Loans and advances up to this amount, together with interest, are senior to indebtedness to other creditors under subsequently recorded or filed mortgages and liens.

This mortgage contains an after acquired property clause.

Jmm

THIS MORTGAGE (the "Mortgage"), made as of the 1st day of August, 2003, by and between Wildwood Hills, Inc. (the "Mortgagor"), as Mortgagor, and Farmers & Merchants State Bank (the "Mortgagee"), as assignee under the Assignment and Pledge Agreement dated as of August 1, 2003 (the "Assignment") between the Issuer (hereinafter defined) and the Mortgagee.

WITNESSETH:

WHEREAS, pursuant to the provisions of Chapter 419 of the Code of Iowa, 2003, as amended (the "Act"), the City of Wilton, 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 \$850,000 Youth Facility Revenue Refunding Bond (Wildwood Hills, Inc. Project), Series 2003 (the "Bond") to provide funds necessary for the purpose of for the purpose of redeeming outstanding indebtedness (the "Prior Debt") the proceeds of which was applied to finance all or a portion of the costs of acquiring, constructing, equipping and furnishing a developmental facility for troubled youths and other improvements, equipment, structures and facilities located on Borrower's Wildwood Hills Ranch site located at 3000 St. Charles Road, St. Charles, Iowa (together, the "Project") and paying for certain other costs associated with the issuance of the Bond.

WHEREAS, the Agreement further provides that as a condition to the issuance of the Bond to secure performance by the Mortgagor of its obligations under the Agreement, including the payment of sums sufficient to pay the Bond, and as an inducement to the purchase of the Bond by all who shall at any time become holders thereof, the Mortgagor will execute and deliver this Mortgage to the Mortgagee; and

WHEREAS, the last stated maturity of the Bond and the maturity date of this Mortgage, is August 1, 2003.

GRANTING CLAUSES

NOW, THEREFORE, for the purposes of securing the payment of all amounts now or hereafter advanced under the Agreement, owing under the Bond or this Mortgage and the faithful performance of all covenants, conditions, stipulations and agreements of the Bond, the Agreement and this Mortgage contained, and in consideration of the premises, and as an inducement to the purchase of the Bond 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 Madison County, 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 personal 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 Bond 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 Bond and the amounts due under the Agreement, 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 Agreement 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:

“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 real estate taxes, 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) 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;

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

(viii) any purchase money security interest in personal property acquired by the Mortgagor and any financing statement showing the Mortgagor as debtor and the holder of such purchase money security interest as the secured party; and

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 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 Bond 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 Bond and any of the indebtedness or other Bond 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 Agreement.

The Mortgagor agrees to pay the repayment installment and other amounts required by the Agreement and all amounts due under the Bond in accordance with their 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 Bond 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, or shall cause to be maintained, the Mortgaged Property and every part thereof in good condition, repair and working order and will from time to time make, or shall cause to be made, 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. Inspection of the Mortgaged Property.

The Mortgagee may (but has no duty to) by itself, its agents or workmen enter and inspect during normal business hours and upon providing reasonable notice to Mortgagor, 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 7. 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 Bond 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 believes 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 8. 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 9. 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 Agreement.

SECTION 10. 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 Agreement; 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 Agreement) for a period of thirty (30) 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 11. Remedies on Default.

Upon the occurrence of an Event of Default:

- (a) Acceleration. The Mortgagee may, at its option, by notice in writing to the Mortgagor, declare the repayment installments and all other amounts due under the Agreement and in the Bond remaining unpaid immediately due and payable and accelerate the Bond, upon the same terms and conditions and in the manner provided for in the Agreement;
- (b) Collection. 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 Agreement secured by this Mortgage;
- (c) Possession; Receiver. 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 upon request of Mortgagee 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; and

(d) Foreclosure. 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.

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

If the aforementioned waiver is not effective, then it is agreed that if this Mortgage covers less than ten (10) 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 (1) 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 Code of Iowa. If the redemption period is so reduced, for the first three (3) months after the sale, such right of redemption shall be exclusive to the Mortgagor, and the time periods in Sections 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: (1) the real estate is less than ten (10) acres in size; (2) the Court finds affirmatively that the said real estate has been abandoned by the owners and those persons personally liable under this Mortgage at the time of such

foreclosure; and (3) Mortgagee in such action files an election to waive any deficiency judgment against Mortgagor or their successor in interest in such action. If the redemption period is so reduced, Mortgagor or their successors 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 Sections 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 presumption that the property is not abandoned. Any such redemption period shall be consistent with all of the provisions of Chapter 628 of the Code of Iowa.

This Section shall not be construed to limit or otherwise affect any other redemption provisions contained in Chapter 628 of the Iowa Code. This Section also shall not be construed to limit Mortgagee's right to elect foreclosure without redemption or to elect foreclosure by nonjudicial procedure as set forth in Chapters 654 and 655A of the Iowa Code. Mortgagor agrees that, in the event of a foreclosure of the Mortgage, under any provision of Iowa law, Mortgagee shall be entitled to sole possession and use of the Collateral during any redemption period.

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:

(i) All of the amounts due and payable under the Agreement for the payment of the principal remaining unpaid on the Bond, 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;

(ii) 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

(iii) 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 (ii) and (iii) of this Section, in the order of their listing, then to (i) on a pro rata basis in accordance with the amounts due and payable under the Agreement, and, in the case of payments under the Agreement for payment of the Bond, such amount to be applied in the manner provided in the Bond. After providing for the foregoing, any surplus remaining 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.

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 12. 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 13. 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 14. Remedies Cumulative.

No remedy herein or in the Agreement 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 15. 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 16. 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 17. Usury.

Notwithstanding any provision herein or in the Agreement, the total liability for payments in the nature of interest shall not exceed the limits imposed by the usury laws of Iowa, if such laws are applicable to this transaction.

SECTION 18. 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 19. Construction.

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

SECTION 20. 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 Section 7.04 of the Agreement.

SECTION 21. 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:

Mortgagor:

Wildwood Hills, Inc.
3000 St. Charles Road
St. Charles, Iowa 50240
Attention: Director

With a copy to:

Heart of America Restaurants & Inns
Corporate Office
1501 River Drive
Moline, Illinois 61265-1307
Attention: Kirk Whalen

Mortgagee:

Farmers & Merchants State Bank
101 West Jefferson
Winterset, Iowa 50273-0029
Attention: Phil J. Clifton

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 22. 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 Agreement and the Bond, 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 23. 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 24. Damage, Destruction or Condemnation; Application of Net Proceeds.

If no Event of Default has occurred pursuant to the Loan Agreement, in the event the Facilities or any portion thereof are damaged or destroyed by fire or other casualty, the Mortgagor shall promptly give written notice thereof to the Mortgagee and the Mortgagee shall determine within a reasonable time, but not to exceed 120 days after such damage or destruction, if the Net Proceeds of any insurance relating to such damage or destruction shall be paid to the Mortgagee for deposit into the Project Fund to be applied to the repair, reconstruction and restoration of the damaged or destroyed Facilities or to the redemption and payment of the Bond, in accordance with the relevant provisions of the Agreement, at a price equal to par, plus accrued interest, but without prepayment premium or penalty.

If the Facilities or any portion thereof are condemned or taken for any public or quasi-public use and title thereto vests in the party condemning or taking the same, the Net Proceeds of any award, compensation or damages payable in connection with any such condemnation or taking shall be paid to the Mortgagee for deposit into the Project Fund to be applied at the option of the Mortgagor for repairs or improvements to the Facilities not so taken or to acquire and construct replacement facilities substantially the same as those condemned or taken or to redeem and prepay principal of the Bond. The Mortgagee shall cooperate fully with the Mortgagor in the handling and conduct of any prospective or pending condemnation proceedings with respect to the Facilities or any part thereof.

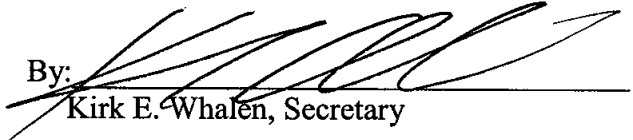
In the event of any such condemnation or taking, the Mortgagor shall, within 120 days after the date on which the Net Proceeds are finally determined, elect either to use the Net Proceeds of the condemnation award for repairs and improvements to the Facilities or to acquire or construct replacement facilities, or, if applicable, cause the Bond to be redeemed or prepaid in whole, in accordance with the relevant provisions of the Agreement and the Bond, at a price equal to par, plus accrued interest, but without prepayment premium or penalty. If the Mortgagor elects to apply the Net Proceeds to make repairs and improvements to the Facilities or acquire or construct replacement facilities such Net Proceeds shall be disbursed from the Project Fund for such purpose in the same manner provided for the disbursement of proceeds of the Bond to finance the Costs of the Project.

SECTION 25. 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 its name and behalf by its duly authorized officer, all as of the day and year first above written.

WILDWOOD HILLS, INC.

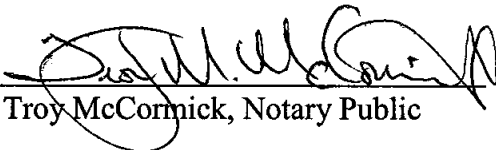
By: 
Kirk E. Whalen, Secretary

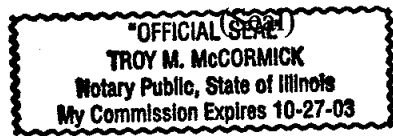
[Execution page for the Mortgage.]

STATE OF ILLINOIS)
) SS:
COUNTY OF ROCK ISLAND)

On this 1st day of August, 2003, before me, the undersigned, a Notary Public in and for the State of Illinois, personally appeared Kirk E. Whalen, to me personally known, who being by me duly sworn did say that he is the Secretary of Wildwood Hills, Inc., 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 Kirk E. Whalen as such officer, acknowledged the execution of said instrument to be the voluntary act and deed of said corporation by it and by him voluntarily executed.

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

By 
Troy McCormick, Notary Public



[Notary page for the Mortgage.]

EXHIBIT A

The South Half (S1/2) of the Southeast Quarter (SE1/4) and the South Six (6) acres of the North Half (N1/2) of the Southeast Quarter (SE1/4) and the South Half (S1/2) of the Southeast Quarter (SE1/4) of the Southwest Quarter (SW1/4), all in Section Twenty (20); the North Half (N1/2) of the Northeast Quarter (NE1/4) except a tract beginning at the Southeast corner thereof, thence North 8 1/2 rods, thence West 9 35/85 rods, thence South 8 1/2 rods, thence East 9 35/85 rods to the place of beginning, and also except 7.71 acres in the Southwest corner thereof being 47.75 rods East and West and 25.7 rods North and South; also in tract beginning 46 rods East of the Northwest corner of the Southwest Quarter (SW1/4) of the Northeast Quarter (NE1/4), thence East 44 rods, thence South 4 rods, thence West 44 rods, thence North 4 rods to the place of beginning, all in Section Twenty-nine (29) Township Seventy-five (75) North, Range Twenty-six (26) West of the 5th P.M., Madison County, Iowa.

The South Half (1/2) of the Southeast Quarter (1/4) of the Northwest Quarter (1/4) of Section Twenty (20), Township Seventy-five (75) North, Range Twenty-six (26) West of the 5th P.M., Madison County, Iowa, and the Southwest Quarter (1/4) of the Northeast Quarter (1/4) except a tract commencing at the Northwest corner thereof and running thence East 27 feet, thence in a Southwesterly direction in a straight line to a point 30 feet South of the point of beginning, thence North to the point of beginning; and all that part of the Southeast Quarter (1/4) of the Northeast Quarter (1/4) which lies South of Jones Creek and containing 25 1/2 acres, more or less; and the North Half (1/2) of the Southeast Quarter (1/4) except the South 6 acres thereof and except the South 49 rods of the North 69 rods of the West 16 rods thereof; all in Section Twenty (20), in Township Seventy-five (75) North, Range Twenty-six (26) West of the 5th P.M., Madison County, Iowa; except in so far as this description overlaps description contained in Declaration of Homestead and Platting thereof in Book 44, Page 506, Madison County Records.

All that part of the Southwest Quarter (SW1/4) of the Northwest Quarter (NW1/4) and the North 5 acres of the Northwest Quarter (NW1/4) of the Southwest Quarter (SW1/4) of Section Twenty-one (21) Township Seventy-five (75) North, Range Twenty-six (26), Madison County, Iowa, lying south and west of the Center of Jones Creek, containing approximately 10 acres, together with all easements and servient estates appurtenant thereto except in so far as this description overlaps description contained in Declaration of Homestead and Platting thereof in Book 44, Page 506, Madison County Records.

Parcel "A" located in Section 20 and 21 of Township 75 North, Range 26 West of the 5th P.M., Madison County, Iowa more particularly described as follows:

Commencing at the Southeast Corner of Section 20, Township 75 North, Range 26 West of the 5th P.M., Madison County, Iowa thence North $00^{\circ}08'20''$ East 1561.49 feet along the East line of the Southeast Quarter of said Section 20 to the Point of Beginning; thence continuing North $00^{\circ}08'20''$ East 1561.49 feet along the East line of the Southeast Quarter of said Section 20 to the Point of Beginning; thence continuing North $00^{\circ}08'30''$ East 894.87 feet along the East line of the Southeast Quarter of said Section 20 to a property line fence which is on the South line of the North 5 Acres of the Northwest Quarter of the Southwest Quarter of Section 21, Township 75 North, Range 26 West of the 5th P.M., Madison County, Iowa; thence North $87^{\circ}08'03''$ East 220.13 feet along said property line fence; thence North $00^{\circ}03'32''$ West 605.15 feet; thence South $88^{\circ}23'50''$ West 220.00 feet to a point on the West line of the Southwest Quarter of the Northwest Quarter of said Section 21; thence South $87^{\circ}20'34''$ West 210.00 feet; thence South $00^{\circ}06'53''$ East 560.27 feet; thence South $85^{\circ}54'10''$ West 1365.00 feet; thence South $00^{\circ}08'20''$ West 949.87 feet; thence North $85^{\circ}54'10''$ East to the Point of Beginning containing 40.000 Acres including 0.951 Acres of County Road Right-of-Way.

The North Half (N1/2) of the Southeast Quarter (SE1/4) of the Northwest Quarter (NW1/4) of Section Twenty (20), in Township Seventy-five (75) North, Range Twenty-six (26) West of the 5th P.M., Madison County, Iowa.

4.90 acres West of the Middle part of the West Half (W1/2) of the West Half (W1/2) of the Northwest Quarter (NW1/4) of the Southeast Quarter (SE1/4) of Section Twenty (20), Township Seventy-five (75) North, Range Twenty-six (26) West of the 5th P.M., Madison County, Iowa

That part of the Northeast Quarter (NE1/4) of the Northeast Quarter (NE1/4) of Section Twenty (20), Township Seventy-five (75) North, Range Twenty-six (26) West of the 5th P.M., Madison County, Iowa, lying South of County Road G 60.

All that part of the Southeast Quarter (SE1/4) of the Northeast Quarter (NE1/4) of Section Twenty (20) lying North of Jones Creek; and all that part of the West 410 feet of the Southwest Quarter (SW1/4) of the Northwest Quarter (NW1/4) of Section Twenty-one (21) lying between the center of Jones Creek and the center of County Highway No. G-50 as the same now proceeds through said Southwest Quarter (SW1/4) of the Northwest Quarter (NW1/4), all in Township Seventy-five (75) North, Range Twenty-six (26).