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

by

**MINNETONKA LEASED HOUSING ASSOCIATES III, LLLP,
as Mortgagor**

in favor of

**CITY OF MINNETONKA, MINNESOTA,
as Mortgagee**

Dated as of September 1, 2018

Relating to:

**\$4,090,000
City of Minnetonka, Minnesota
Tax Increment Revenue and
Subordinate Multifamily Housing Revenue Bonds
(Legends of Minnetonka Project)
Series 2018C**

THIS SUBORDINATE MORTGAGE IS EXEMPT FROM MORTGAGE REGISTRATION TAX IMPOSED BY MINNESOTA STATUTES §287.035, PURSUANT TO MINNESOTA STATUTES §287.04(f), BECAUSE THE PRINCIPAL AMOUNT OF THE ORIGINAL MORTGAGE LOAN REFERRED TO HEREIN IS MADE UNDER A LOW AND MODERATE INCOME OR OTHER AFFORDABLE HOUSING PROGRAM AND THE MORTGAGEE IS THE CITY OF MINNETONKA, MINNESOTA, A MUNICIPAL CORPORATION ORGANIZED AND EXISTING UNDER THE CONSTITUTION AND LAWS OF THE STATE OF MINNESOTA.

This Subordinate Combination Mortgage, Security Agreement, Fixture Financing Statement, and Assignment of Leases and Rents contains after-acquired property provisions and constitutes a fixture financing statement under Minnesota Statutes, Section 336.9-502. The maximum principal indebtedness secured hereby is \$4,090,000 and matures on March 1, 2046.

This instrument was drafted by:
Kennedy & Graven, Chartered (JAE)
470 U.S. Bank Plaza
200 South Sixth Street
Minneapolis, Minnesota 55402

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

THIS SUBORDINATE COMBINATION MORTGAGE, SECURITY AGREEMENT, FIXTURE FINANCING STATEMENT AND ASSIGNMENT OF LEASES AND RENTS, dated as of September 1, 2018 (the “Subordinate Mortgage”), is by MINNETONKA LEASED HOUSING ASSOCIATES III, LLLP, a Minnesota limited liability limited partnership (the “Mortgagor”), in favor of CITY OF MINNETONKA, MINNESOTA, a home rule charter city, municipal corporation, and political subdivision duly organized and existing under its charter and the Constitution and laws of the State of Minnesota (the “Mortgagee”).

WITNESSETH:

WHEREAS, the Mortgagee will issue and deliver its Tax Increment Revenue and Subordinate Multifamily Housing Revenue Bonds (Legends of Minnetonka Project), Series 2018C (the “Subordinate Bonds”), in the original aggregate principal amount of \$4,090,000; and

WHEREAS, the Subordinate Bonds are being issued pursuant to Minnesota Statutes, Chapter 462C, as amended (the “Act”), and a Subordinate Indenture of Trust, dated as of September 1, 2018 (the “Indenture”), between the Mortgagee and the Trustee; and

WHEREAS, proceeds of the Subordinate Bonds will be loaned to the Mortgagor pursuant to a Subordinate Loan Agreement, dated as of September 1, 2018 (the “Loan Agreement”), between the Mortgagee and the Mortgagor, for the purposes of (i) financing a portion of the costs of the acquisition, construction, and equipping of a 262-unit senior housing rental development located at 11001 Bren Road East, Minnetonka, Minnesota to be known as Legends of Minnetonka (the “Project”); (ii) financing capitalized interest on the Subordinate Bonds during the construction of the Project; and (iii) paying costs of issuance of the Subordinate Bonds; and

WHEREAS, in order to finance an additional portion of the costs of the acquisition, construction, and equipping of the Project, the Mortgagee has agreed to issue, pursuant to a separate plan of financing, its (i) Multifamily Note with designation as Multifamily Housing Revenue Note (Legends of Minnetonka Project), Series 2018A-1 (the “Series A-1 Governmental Note”), in the maximum principal amount of \$____; (ii) Multifamily Note with designation as Multifamily Housing Revenue Note (Legends of Minnetonka Project), Series 2018A-2 (the “Series A-2 Governmental Note”), in the maximum principal amount of \$____; (iii) Taxable Multifamily Note with designation as Taxable Multifamily Housing Revenue Note (Legends of Minnetonka Project), Series 2018B-1 (the “Series B-1 Governmental Note”), in the maximum principal amount of \$____; and (iv) Taxable Multifamily Note with designation as Taxable Multifamily Housing Revenue Note (Legends of Minnetonka Project), Series 2018B-2 (the “Series 2018B-2 Governmental Note,” and collectively with the Series A-1 Governmental Note, the Series A-2 Governmental Note, and the Series B-1 Governmental Note, the “Senior Notes”), in the maximum principal amount of \$____; and

WHEREAS, the Senior Notes evidence loans (the “Funding Loans”) made to the Mortgagee by U.S. Bank National Association, a national banking association, and BMO Harris Bank N.A., a national banking association, in their capacity as initial funding lenders (together, the “Funding Lender”), pursuant to a Funding Loan Agreement, dated as of September 1, 2018, between the Mortgagee, U.S. Bank National Association, a national banking association, as administrative agent for the Funding Lender, and U.S. Bank National Association, a national banking association, as fiscal agent with respect to the Senior Notes (the “Fiscal Agent”); and

WHEREAS, the Mortgagee will loan the proceeds of the Funding Loans to the Mortgagor pursuant to the terms of a Project Loan Agreement, dated as of September 1, 2018, between the Mortgagee, the Mortgagor, and the Fiscal Agent; and

WHEREAS, in connection with the issuance of the Senior Notes, the Mortgagor has executed and delivered to the Mortgagee, as assigned by the Mortgagee to the Fiscal Agent, the following mortgages (together, the "Senior Mortgages"), which will provide the Fiscal Agent, as assignee thereunder, with a first mortgage lien on and security interest in the Project: (i) with respect to the Series A-1 Governmental Note and the Series A-2 Governmental Note, a Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Series A), dated September __, 2018; and (ii) with respect to the Series B-1 Governmental Note and the Series B-2 Governmental Note, a Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Series B), dated September __, 2018; and

WHEREAS, by the Loan Agreement, the Mortgagor has covenanted, among other things, to make Basic Payments (as defined in the Indenture), sufficient to pay the principal of, premium, if any, and interest on the Subordinate Bonds when due; and

WHEREAS, pursuant to the Act, the Mortgagee may assign the Basic Payments to the Trustee to secure the Subordinate Bonds; and

WHEREAS, the Mortgagee accordingly has, by the Indenture, pledged and granted to the Trustee a security interest in all of the Mortgagee's right, title and interest in the Loan Agreement (except for certain rights for payment of fees, legal expenses and indemnification), including but not limited to such Basic Payments, in order to secure the full and prompt payment of the principal of, premium, if any, and interest on the Subordinate Bonds; and

WHEREAS, the Mortgagee has required as an express condition precedent to making a loan to the Mortgagor pursuant to the Loan Agreement that the Mortgagor provide this Subordinate Mortgage as security for repayment of the Basic Payments, which are due and payable in full on March 1, 2046; and

WHEREAS, this Subordinate Mortgage will be subordinate, junior, and subject to the Senior Mortgages; and

NOW, THEREFORE, in consideration of One Dollar (\$1.00) and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged; in consideration of the purchase and acceptance of the Subordinate Bonds by the persons who, from time to time, may become the owners thereof; and to secure the due and punctual payment of any and all liabilities of the Mortgagor under the Loan Agreement and all covenants and agreements of the Mortgagor therein, including (without limitation) all Basic Payments payable thereunder in respect of the Subordinate Bonds, and the payment of all fees and expenses and advances of the Mortgagee and the Trustee under the Loan Agreement, the Indenture and this Subordinate Mortgage, the Mortgagor does hereby grant, bargain, sell, convey, and warrant and assign to the Mortgagee, its permitted successors and assigns a lien on and security interest in, and does hereby mortgage and pledge unto the Mortgagee, its successors and assigns, forever, with power of sale, the following:

I.

All of its right, title and interest in and to the tracts, parcels and interests in land described in EXHIBIT A attached hereto (the "Land") and the buildings, structures and other improvements now standing or at any time hereafter constructed or placed upon the Land (the "Buildings"), including but not limited to (i) all building materials, supplies and equipment now or hereafter located on the Land and suitable or intended to be incorporated in any building, structure, or other improvement located or to be erected on the Land, (ii) all heating, plumbing and lighting apparatus, motors, engines and machinery, electrical equipment, incinerator apparatus, air conditioning equipment, water and gas apparatus, pipes, faucets, and all building service equipment and other fixtures of every description which are now or may hereafter be placed or used upon the Land or in any building or improvement now or hereafter located thereon, (iii) all additions, accessions, increases, parts, fittings, accessories, replacements, substitutions, betterments, repairs and proceeds to and of any and all of the foregoing, and (iv) all hereditaments, easements, appurtenances, estates, and other rights and interests now or hereafter belonging to or in any way pertaining to the Land or to any building or improvement now or hereafter located thereon.

II.

All furnishings, furniture, equipment and all other tangible personal property of any nature whatever now or hereafter located in the Buildings or elsewhere on the Land (the "Equipment"), including all additions, accessions, increases, parts, fittings, accessories, replacements, substitutions, betterments, repairs and proceeds to and of any and all such property, excluding any items released or disposed of in accordance with the Loan Agreement and excluding personal property owned by tenants occupying rental units in the Buildings.

III.

All rents, issues, condemnation awards, insurance proceeds, and similar revenues and income arising from the ownership of the Land, the Buildings and the Equipment and all proceeds and products thereof (collectively, the "Revenues and Income").

To have and to hold, the Land, Buildings and Equipment (the "Mortgaged Property"), and the Revenues and Income thereof, together with all privileges, hereditaments and appurtenances thereunto now or hereafter belonging, or in any way appertaining, and the proceeds thereof, unto the Mortgagee, its successors and assigns forever,

In trust nevertheless, upon the terms and trust as part of the Trust Estate set forth in the Indenture, for the equal and proportionate benefit, security and protection of all owners of the Subordinate Bonds, without preference, priority or distinction as to lien or otherwise of any of the Subordinate Bonds over any of the others,

Provided, nevertheless, that these presents are upon the express condition that if the Mortgagor shall pay all Basic Payments under the Loan Agreement and cause to be paid the principal of, premium (if any) on and interest on the Subordinate Bonds, and if the Mortgagor shall strictly observe and perform all of the terms, covenants and conditions contained in the Loan Agreement and this Subordinate Mortgage, then this Subordinate Mortgage and the estate, right and interest of the Mortgagee in and to the Mortgaged Property, and the Revenues and Income thereof, shall cease and be and become void and of no force and effect, and shall be satisfied at the Mortgagor's expense, otherwise to remain in full force and effect.

The Mortgagor and the Mortgagee further agree as follows:

1. Definitions. Capitalized terms used herein that are otherwise not defined shall have the meanings assigned such terms in the Indenture.

2. Amount and Maturity of Subordinate Bonds; Basic Payments. The parties represent and agree as follows:

(a) The Subordinate Bonds shall be in the aggregate principal amount of \$4,090,000 and the final maturity thereof shall be March 1, 2046, subject to the optional or mandatory redemption of the Subordinate Bonds, including mandatory sinking fund redemption, all as further set forth in the Indenture.

(b) Basic Payments are required to be made monthly by the Mortgagor in order to pay principal of, premium (if any) and interest on the Subordinate Bonds when and as the same shall become due, or when required to be redeemed, as more fully provided in the Loan Agreement and Indenture.

3. Additional Payments. Under the Loan Agreement, the Mortgagor will be obligated, in addition to the Basic Payments described above, to pay all required rebate payments to the United States in respect of the Subordinate Bonds, the reasonable fees and expenses of the Trustee and any paying agent of the Subordinate Bonds, fees and expenses of the Mortgagee and any advances by the Mortgagee or the Trustee to meet obligations of the Mortgagor for (among other things) taxes, special assessments, utility charges, insurance premiums, and liens in connection with the Mortgaged Property and also to provide indemnity to the Mortgagee, all as more fully provided in the Loan Agreement, which obligations are additional indebtedness intended to be secured by this Subordinate Mortgage.

4. Release of Property. Property included in the Mortgaged Property may be released from the lien of this Subordinate Mortgage as provided in the Loan Agreement and Indenture.

5. Warranty of Title; Permitted Encumbrances. The Mortgagor does hereby covenant, represent and warrant that it is the lawful owner of and has good right and lawful authority to grant, bargain, sell, convey, warrant, mortgage, assign and pledge the Mortgaged Property and Revenues and Income thereof as provided herein; that the Mortgagor is and will continue to be well and truly seized of good and marketable title to the Mortgaged Property; that the Mortgaged Property and Revenues and Income thereof are and shall remain free and clear of all mortgages, liens, pledges, charges and encumbrances, excepting, with respect to the Land, Permitted Encumbrances, and excepting, with respect to any equipment, furnishings or other personal property, liens or security interests existing on the date hereof or hereafter arising with respect to any security interest granted in connection with purchase money acquisitions of such personal property the lien of which extends only to such purchased personal property; and that the Mortgagor does warrant and will defend the title to the Mortgaged Property and Revenues and Income thereof against all claims and demands whatsoever not permitted hereunder or under the Loan Agreement. "Permitted Encumbrances" shall mean the following:

(a) liens for taxes and special assessments which are not then delinquent;

(b) utility, access and other easements and rights-of-way, restrictions, restrictive covenants and exceptions that the Mortgagor certifies to the Mortgagee will not interfere with or impair the operation of the Mortgaged Property, or, if it is not being operated, the operation for which it was designed or last modified;

(c) any mechanic's, laborer's, materialman's, supplier's, or vendor's lien or right in respect thereof if payment is not yet due under the contract in question;

(d) such minor defects, irregularities, encumbrances, easements, rights-of-way and clouds on title as normally exist with respect to properties similar in character to the Land and which the Mortgagor certifies to the Mortgagee do not materially impair the property affected thereby for the purpose for which it was intended;

(e) zoning laws;

(f) liens arising in connection with workers' compensation, unemployment insurance, taxes, assessments, statutory obligations or liens, social security legislation, undetermined liens and charges incidental to construction, or other similar charges arising in the ordinary course of operation and not overdue, and such other liens and charges at the time required by law as a condition precedent to the transaction of the multifamily housing activities of the Mortgagor or the exercise of any privileges or licenses necessary to the Mortgagor;

(g) purchase money liens on personalty as provided above in this Section 5;

(h) the Senior Mortgages; and

(i) exceptions, easements, restrictions and encumbrances shown as of the date of this Subordinate Mortgage on EXHIBIT B attached hereto.

6. Events of Default; Remedies. If any Event of Default as defined in the Loan Agreement shall occur and be continuing, or if any Event of Default as defined in the Indenture shall occur and be continuing, the Mortgagee shall have authority (i) to accelerate the Basic Payments and to declare the Subordinate Bonds immediately due and payable as provided in the Loan Agreement and Indenture, and (ii) to pursue one or more of the remedies provided for in the Loan Agreement and Indenture respectively, and in lieu thereof or addition thereto, one or more of the following remedies and provisions for foreclosure or enforcement of this Subordinate Mortgage:

(a) The Mortgagee may proceed to protect and enforce its rights by a suit or suits in equity or at law, either for the specific performance of any covenant or agreement contained herein or in aid of the execution of any power herein granted, or for the foreclosure of this Subordinate Mortgage, or for the enforcement of any other appropriate legal or equitable remedy.

(b) The Mortgagee shall have and may exercise with respect to all personal property and fixtures which are part of the Mortgaged Property all the rights and remedies accorded upon default to a secured party under the Uniform Commercial Code, as in effect in the State of Minnesota (the "State"). If notice to the Mortgagor of intended disposition of such property is required by law in a particular instance, such notice shall be deemed commercially reasonable if given (in the manner specified in the Loan Agreement and Indenture) at least ten (10) calendar days prior to the date of intended disposition.

(c) The Mortgagee shall be entitled, without notice, except that which is required by law, and without any showing of waste of the Mortgaged Property, inadequacy of the Mortgaged Property as security, or insolvency of the Mortgagor, to the appointment of a receiver of the rents and profits of the Mortgaged Property including those past due, as permitted by State law. The Mortgagee or any receiver shall be entitled to receive and dispose of the Revenues and Income of the Mortgaged Property and to sue for and recover any account or other item of Revenues and

Income from the Mortgagor or any account debtor or other third person. Subject to any order of a court appointing a receiver or otherwise having jurisdiction of the Trust Estate, the Mortgagee in its discretion may apply the Revenues and Income received by it as provided in State law, as follows:

(i) To payment of all reasonable fees (if any) of the receiver approved by the court.

(ii) To payment of all tenant security deposits then owing to tenants under any of the Leases (as defined in Section 12 hereof) pursuant to the provisions of Minnesota Statutes, Section 504B.178.

(iii) To payment of all prior or current real estate taxes and special assessments with respect to the Mortgaged Property, or if this Subordinate Mortgage requires periodic escrow payments for such taxes and assessments, to the escrow payments then due.

(iv) To payment of all premiums then due for the insurance required by this Subordinate Mortgage, or if this Subordinate Mortgage requires periodic escrow payments for such premiums, to the escrow payments then due.

(v) To keeping of the covenants of a landlord or licensor pursuant to Minnesota Statutes, Section 504B.161, subdivision 1.

(vi) To payment of expenses incurred for normal maintenance of the Mortgaged Property.

(vii) If received prior to any foreclosure sale of the Mortgaged Property, to the Mortgagee for payment of the indebtedness secured hereby in such order as the Mortgagee determines but no such payment made after acceleration of the indebtedness secured hereby shall affect such acceleration.

(viii) If received during or with respect to the period of redemption after a foreclosure sale of the Mortgaged Property:

(1) If the purchaser at the foreclosure sale is not the Mortgagee, first to the Mortgagee to the extent of any deficiency of the sale proceeds to repay the indebtedness secured hereby, second to the purchaser as a credit to the redemption price, but if the Mortgaged Property is not redeemed, then to the Mortgagor.

(2) If the purchaser at the foreclosure sale is the Mortgagee, to the Mortgagee to the extent of any deficiency of the sale proceeds to repay the indebtedness secured hereby and the balance to be retained by the Mortgagee as a credit to the redemption price, but if the Mortgaged Property is not redeemed, then to the Mortgagee, whether or not any such deficiency exists.

The rights and powers of the Mortgagee under this Subordinate Mortgage and the application of Rents under this Section 6(c) shall continue until expiration of the redemption period from any foreclosure sale, whether or not any deficiency remains after a foreclosure sale.

(d) Subject to the rights of the Fiscal Agent under the Senior Mortgages, the Mortgagee may (and is hereby authorized and empowered to) foreclose this Subordinate Mortgage by action or advertisement, pursuant to the statutes of the State in such case made and provided, power being expressly granted to sell the Mortgaged Property at public auction and convey the same to the purchaser in fee simple and to apply the proceeds arising from such sale, first, as provided in the Indenture, to the payment of the indebtedness secured thereby and hereby, including all reasonable expenses, liabilities and advances of the Mortgagee and the Subordinate Bonds and interest thereon and Basic Payments relating thereto, and all legal costs and charges of such foreclosure, which costs, charges and fees the Mortgagor agrees to pay, and, second, to the payment of any obligations of the Mortgagor to the Mortgagee under the Loan Agreement, and, third, to return any surplus to the Mortgagor or such other person as may be entitled thereto. Such sale shall be made at public auction and at such place or places and at such time or times and upon such notice as the Mortgagee may be advised by counsel to be consistent with the laws applicable thereto, and upon such terms as the Mortgagee or the public officer conducting such sale may fix. Any such sale made pursuant to judicial proceedings or advertisement shall be made either as an entirety or in such parcels as may be directed by the court or as the Mortgagee in its sole discretion may determine. The Mortgagor, for it and all persons and corporations hereafter claiming through or under it, does hereby expressly waive and release all right to have the properties and rights comprised in the Mortgaged Property or in the Trust Estate marshaled upon any foreclosure or other enforcement hereof. The Mortgagee or public officer conducting such sale from time to time may adjourn any such sale to be made by it by announcement at the time and place appointed for such sale or for such adjourned sale or sales, and without further notice or publication it may make such sale at the time to which the same shall be so adjourned, but in the event of such adjournment or adjournments, sale shall be made within any limitation of time or number of adjournments prescribed by law and, in any event, within six months from the date of sale fixed in the advertisement or court order, unless notice of sale on some later date shall be given again in the manner provided by law.

(e) Upon any foreclosure sale, the owners of any Subordinate Bonds outstanding, or the Trustee, may bid for and purchase the Trust Estate or any part thereof and upon compliance with the terms of sale may hold, retain and possess and dispose of such property in their or its own absolute right without further accountability, and any purchaser at any such sale may, in paying the purchase money, turn in any of such Subordinate Bonds or claims for interest in lieu of cash to the amount which shall, upon distribution of the net proceeds of such sale, be payable thereon.

(f) Upon the completion of any sale or sales made under or by virtue of this Subordinate Mortgage and the Indenture, the Mortgagee shall execute and deliver, or cause to be executed and delivered, to the accepted purchaser or purchasers the property sold with good and sufficient transfers, assigning and transferring all its right, title and interest in and to the properties sold. The Mortgagee and its successor or successors are hereby appointed the true and lawful attorney or attorneys irrevocable of the Mortgagor in its name and stead or in the name of the Mortgagee to make all necessary assignments, transfers and deliveries of the property thus sold, and for that purpose, the Mortgagee and its successors may execute all necessary instruments of assignment and transfer, and may substitute one or more persons with like power, the Mortgagor hereby ratifying and confirming all that said attorney or attorneys or such substitute or substitutes shall lawfully do by virtue hereof. Nevertheless, the Mortgagor, if so requested in writing by the Mortgagee, shall ratify and confirm any such sale or sales by executing and delivering to the Mortgagee or to such purchaser or purchasers all such instruments as may be advisable, in the judgment of the Mortgagee, for the purpose and as may be designated in such request.

(g) Upon any sale made under the power of sale hereby granted or under judgment or decree in any judicial proceedings for the foreclosure or otherwise for the enforcement of this Subordinate Mortgage or the Indenture, the receipt of the Mortgagee or of the officer making such sale shall be a sufficient discharge to the purchaser or purchasers at any sale for the purchase money, and such purchaser or purchasers, their assigns or personal representatives shall not, after paying such purchase money and receiving such receipt of the Mortgagee or of such officer therefor, be obliged to see to the application of such purchase money, or be in anyway answerable for any loss, misapplication, or nonapplication thereof.

(h) The Mortgagor does hereby expressly consent to sale of the Mortgaged Property by advertisement pursuant to Minnesota Statutes, Chapter 580, which provides for sale after service of notice thereof upon the occupant of the Mortgaged Property and publication of said notice for six (6) weeks in the county in which the Mortgaged Property is located, notwithstanding that service might not be made upon the Mortgagor personally, and that no hearing of any type is required in connection with the sale. Except as required by the aforesaid statutory provision, the Mortgagor hereby expressly waives any and all rights to notice of sale of the Mortgaged Property and any and all rights to a hearing of any type in connection with the sale of the Mortgaged Property.

(i) In case of any Event of Default as aforesaid, to the extent that such rights may then lawfully be waived, neither the Mortgagor nor anyone claiming through or under it shall or will set up, claim, or seek to take advantage of any appraisal, valuation, stay, extension or redemption laws now or hereafter in force in any locality where any of the Mortgaged Property may be situated, in order to prevent or hinder the enforcement or foreclosure of this Subordinate Mortgage or the Indenture, or the absolute sale of the Mortgaged Property, or the final and absolute putting into possession thereof, immediately after such sale, of the purchaser or purchasers thereat.

(j) Any sale made under the power of sale granted hereby or under judgment or decree in any judicial proceedings for foreclosure or otherwise for the enforcement of this Subordinate Mortgage or the Indenture shall, if and to the extent then permitted by law, operate to divest all right, title, interest, claims and demand whatsoever, either at law or in equity, of the Mortgagor of, in and to the property so sold, and be a perpetual bar both at law and in equity against the Mortgagor and against any and all persons, firms or corporations claiming or who may claim the property sold, or any part thereof, from, through or under the Mortgagor.

(k) The Mortgagee may also exercise its remedies under Section 19 below.

7. Possession of Mortgagor. Unless a default on the part of the Mortgagor shall exist under the Loan Agreement or an Event of Default shall exist under the Indenture, the Mortgagor shall be entitled to the possession and disposition of the Mortgaged Property and the Revenues and Income thereof subject, however, to the rights of the Trustee to the possession and disposition of the funds and accounts provided for in the Loan Agreement and Indenture.

8. Further Assurances. As provided in the Loan Agreement, the Mortgagor shall execute, deliver, file and record at its expense such supplements to this Subordinate Mortgage, financing statements or other documents as may be required in the opinion of counsel, including (without limitation) any supplement to this Subordinate Mortgage to particularly describe any properties which have been or are intended to become subject to the lien hereof.

9. Amendments. This Subordinate Mortgage may be amended only as provided in the Loan Agreement and Indenture.

10. Loan Agreement and Indenture Control. Any provision in this Subordinate Mortgage which is inconsistent with the Loan Agreement or the Indenture or any provision thereof shall be interpreted as if such provision were not contained herein and as if the provisions of the Loan Agreement and Indenture had been fully incorporated herein. In all cases of inconsistency, and in case of any amendment of or supplement to the Loan Agreement or Indenture, entered into in accordance with the provisions thereof, the provisions of the Loan Agreement (as amended and supplemented) and Indenture (as amended and supplemented) shall control. Reference is hereby made to copies of the Loan Agreement and Indenture to be placed on file at the offices of the Mortgagor and the Trustee.

11. Fixture Filing. From the date of its recording, this Subordinate Mortgage shall be effective as a financing statement filed as a fixture filing with respect to all goods constituting part of the Mortgaged Property which are or are to become fixtures related to the real estate described herein on EXHIBIT A. For this purpose, the following information is set forth:

- | | | |
|-----|---|--|
| (1) | Name and address of Debtor: | Minnetonka Leased Housing Associates III, LLLP
c/o Dominion Development and Acquisition, LLC
2905 Northwest Boulevard, Suite 150
Plymouth, MN 55441 |
| (2) | Name and address of Secured Party: | City of Minnetonka, Minnesota
14600 Minnetonka Boulevard
Minnetonka, MN 55345-1502 |
| (3) | Description of the types (or items) of property covered by this Financing Statement: | The Fixtures as defined herein. |
| (4) | Description of real estate to which collateral is attached or upon which it is located: | See EXHIBIT A attached hereto. |

Some of the above-described collateral is or is to become fixtures upon or minerals and mineral rights located upon the Land, and this financing statement is to be filed for record in the public real estate records.

12. Assignment of Leases and Rents. The Assignor does hereby grant, transfer and assign to the Assignee (the "Assignment") all of the right, title and interest of the Assignor in and to (i) any and all present or future leases or tenancies, whether written or oral, covering or affecting any or all of the Mortgaged Property (all of which, together with any and all extensions, modifications and renewals thereof, are hereinafter collectively referred to as the "Leases" and each of which is referred to as a "Lease"), and (ii) all rents, profits and other income or payments of any kind due or payable or to become due or payable to or by the Assignor as the result of any use, possession or occupancy of all or any portion of the Mortgaged Property or as the result of the use of or lease of any personal property constituting a part of the Mortgaged Property (all of which are hereinafter collectively referred to as "Rents"), but not including any general revenues, income or accounts receivable of the Assignor, and

whether the Rents accrue before or after foreclosure of this Subordinate Mortgage or during the periods of redemption thereof, all for the purpose of securing:

(a) All indebtedness under the Loan Agreement and all other sums secured by this Subordinate Mortgage and Assignment pertaining to the Subordinate Bonds; and

(b) Performance and discharge of each and every obligation, covenant and agreement of the Assignor contained herein and in the Loan Agreement.

13. Covenant. The Assignor warrants and covenants that it is and will remain the absolute owner of the Rents and Leases free and clear of all liens and encumbrances other than the lien granted herein and Permitted Encumbrances; that it has not heretofore assigned or otherwise encumbered its interest in any of the Rents or Leases to any person other than as set forth in the Permitted Encumbrances; that it has the right under applicable law, under the Leases, and otherwise to execute and deliver this Assignment and keep and perform all of its obligations hereunder; that it will warrant and defend the Leases and Rents against all adverse claims, whether now existing or hereafter arising.

14. Performance of Leases. The Assignor will faithfully abide by, perform and discharge each and every obligation, covenant and agreement which it is now or hereafter becomes liable to observe or perform under any present or future Lease, and, at its sole cost and expense, enforce or secure the performance of each and every obligation, covenant, condition and agreement to be performed by the tenant under each and every Lease, subject to such waivers or extensions of time as may be granted by Assignee, provided that Assignee shall have the right, at any time, to rescind any such waiver or extension of time. The Assignor will observe and comply with all provisions of law applicable to the operation and ownership of the Mortgaged Property. The Assignor will at its sole cost and expense, appear in and defend any action or proceeding arising under, growing out of or in any manner connected with any Lease or the obligations, duties or liabilities of the Assignor or any tenant thereunder.

15. Collection of Rents. Unless permitted by the Mortgagee, the Assignor will not collect or accept any Rents for the use or occupancy of the Mortgaged Property for more than one (1) month in advance. Security deposits shall not be deemed Rents for purposes of this paragraph.

16. Protecting the Security of This Assignment. Should the Assignor fail to perform or observe any covenant or agreement contained in this Assignment, then the Assignee, but without obligation to do so and without releasing the Assignor from any obligation hereunder, may make or do the same in such manner and to such extent as the Assignee may deem appropriate to protect the security hereof, including, specifically, without limiting its general powers, the right to appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of the Assignee, and also the right to perform and discharge each and every obligation, covenant and agreement of the Assignor contained in the Leases and in exercising any such powers to pay necessary costs and expenses, employ counsel and pay reasonable attorneys' fees. The Assignor will pay immediately upon demand all sums expended by the Assignee under the authority of this Assignment, together with interest thereon, and the same shall be added to said indebtedness and shall be secured hereby.

17. Present Assignment. This Assignment shall constitute a perfected, absolute and present assignment, provided that the Assignor shall have the right to collect, but not prior to accrual (except as permitted by Section 15 above), all of the Rents, and to retain, use and enjoy the same unless and until an Event of Default shall occur under the Loan Agreement, this Subordinate Mortgage or the Indenture or the Assignor shall have breached any warranty or covenant in this Assignment. Any Rents which accrue prior to an Event of Default under the Loan Agreement or this Subordinate Mortgage or the Indenture but are paid thereafter shall be paid to the Assignee.

18. Survival of Obligation to Comply with Subordinate Mortgage and This Assignment. All of the Assignor's obligations under this Subordinate Mortgage and Assignment shall survive foreclosure of this Subordinate Mortgage and the Assignor covenants and agrees to observe and comply with all terms and conditions of this Subordinate Mortgage and Assignment and to preclude any Event of Default from occurring under the Loan Agreement, this Subordinate Mortgage or Indenture throughout any period of redemption after foreclosure of this Subordinate Mortgage.

19. Additional Remedies. Upon the occurrence of any Event of Default specified in the Loan Agreement, the Indenture or herein, the Assignee may, at its option, in addition to any remedies set forth in Section 6 hereof, at any time:

(a) in the name, place and stead of the Assignor and without becoming a mortgagee in possession (i) enter upon, manage and operate the Mortgaged Property or retain the services of one or more independent contractors to manage and operate all or any part of the Mortgaged Property; (ii) make, enforce, modify and accept surrender of the Leases; (iii) obtain or evict tenants, collect, sue for, fix or modify the Rents and enforce all rights of the Assignor under the Leases; and (iv) perform any and all other acts that may be necessary or proper to protect the security of this Assignment;

(b) with or without exercising the rights set forth in subsection (a) above, give or require the Assignor to give, notice to any or all tenants under the Leases authorizing and directing the tenants to pay all Rents under the Leases directly to the Assignee; and

(c) without regard to waste, adequacy of the security or solvency of the Assignor, apply for, and the Assignor hereby consents to, the appointment of a receiver of the Mortgaged Property, whether or not foreclosure proceedings have been commenced under this Subordinate Mortgage, and if such proceedings have been commenced, whether or not a foreclosure sale has occurred.

The exercise of any of the foregoing rights or remedies and the application of the rents, profits and income pursuant to Section 20 hereof shall not cure or waive any Event of Default (or notice of default) under this Subordinate Mortgage or invalidate any act done pursuant to such notice.

20. Application of Rents, Profits and Income. All Rents collected by the Assignee or the receiver each month pursuant to Section 19(b) hereof shall be applied for the purposes referred to in Section 19(a) hereof. The rights and powers of the Assignee under this Assignment and the application of Rents under this Section 20 shall continue until expiration of the redemption period from any foreclosure sale, whether or not any deficiency remains after a foreclosure sale.

21. No Liability for Assignee. The Assignee shall not be obligated to perform or discharge, nor does it hereby undertake to perform or discharge, any obligation, duty or liability of the Assignor under the Leases. This Assignment shall not operate to place upon the Assignee responsibility for the control, care, management or repair of the Mortgaged Property or for the carrying out of any of the terms and conditions of the Leases. The Assignee shall not be responsible or liable for any waste committed on the Mortgaged Property, for any dangerous or defective condition of the Mortgaged Property, for any negligence in the management, upkeep, repair or control of said Mortgaged Property or for failure to collect the Rents.

22. Assignor's Indemnification. The Assignor shall and does hereby agree to indemnify and to hold the Assignee harmless of and from any and all claims, demands, liability, loss or damage (including all costs, expenses, and reasonable attorney's fees in the defense thereof) asserted against, imposed on or incurred by the Assignee in connection with or as a result of this Assignment or the exercise of any rights or remedies under this Assignment or under the Leases or by reason of any alleged obligations or undertakings of the Assignee to perform or discharge any of the terms, covenants or agreements contained in the Leases which do not result from Assignee's own gross negligence or willful misconduct. Should the Assignee incur any such liability, the amount thereof, together with interest thereon, shall be secured hereby and the Assignor shall reimburse the Assignee therefor immediately upon demand.

23. Authorization to Tenants. Upon notice from the Assignee that it is exercising the remedy set forth in Section 19(b) hereof, the tenants under the Leases are hereby irrevocably authorized and directed to pay to the Assignee all sums due under the Leases, and the Assignor hereby consents and directs that said sums shall be paid to the Assignee without the necessity for a judicial determination that an Event of Default has occurred hereunder or that the Assignee is entitled to exercise its rights hereunder, and to the extent such sums are paid to the Assignee, the Assignor agrees that the tenant shall have no further liability to the Assignor for the same. The signature of the Assignee alone shall be sufficient for the exercise of any rights under this Assignment and the receipt of the Assignee alone for any sums received shall be a full discharge and release therefor to any such tenant or occupant of the Mortgaged Property. Checks for all or any part of the Rents collected under this Assignment shall upon notice from the Assignee be drawn to the exclusive order of the Assignee.

24. Assignee an Attorney-In-Fact. The Assignor hereby irrevocably appoints the Assignee, and its successors and assigns, as its agent and attorney-in-fact, which appointment is coupled with an interest, with the right but not the duty to exercise any rights or remedies hereunder and to execute and deliver during the term of this Assignment such instruments as the Assignee may deem appropriate to make this Assignment and any further assignment effective, including without limiting the generality of the foregoing, the right to endorse on behalf and in the name of the Assignor all checks from tenants in payment of Rents that are made payable to the Assignor.

25. Assignee Not a Mortgagee in Possession. Nothing herein contained and no actions taken pursuant to this Assignment shall be construed as constituting the Assignee a mortgagee in possession.

26. Specific Assignment of Leases. The Assignor will transfer and assign to the Assignee, upon written notice by Assignee, any and all specific Leases that the Assignee requests. Such transfer or assignment by the Assignor shall be upon the same or substantially the same terms and conditions as are herein contained, and the Assignor will properly file or record such assignments, at the Assignor's expense, if requested by the Assignee.

27. Unenforceable Provisions Severable. All rights, powers and remedies provided herein may be exercised only to the extent that the exercise thereof does not violate any applicable law, and are intended to be limited to the extent necessary so that they will not render this Assignment invalid, unenforceable or not entitled to be recorded, registered or filed under any applicable law. If any term of this Assignment shall be held to be invalid, illegal or unenforceable, the validity of other terms hereof shall in no way be affected thereby. It is the intention of the parties hereto, however, that this Assignment shall confer upon the Assignee the fullest rights, remedies and benefits available pursuant to Minnesota Statutes, Sections 559.17 and 576.01, subdivision 2.

28. Limited Recourse. Notwithstanding any provision or obligation to the contrary set forth in this Subordinate Mortgage, (a) the liability of the Mortgagor and any partner, trustee, director, officer,

employee, or agent thereof (collectively, "Mortgagor Parties") under this Subordinate Mortgage or the Loan Agreement shall be limited to the property subject to this Subordinate Mortgage or to such other security as may from time to time be given or have been given for payment of the Mortgagor's obligations under the Loan Agreement and Subordinate Bonds, and any judgment rendered against the Mortgagor Parties under this Subordinate Mortgage or the Loan Agreement and Subordinate Bonds shall be limited to the property subject to this Subordinate Mortgage and any other security so given for satisfaction thereof; and (b) no deficiency or other personal judgment nor any order or decree of specific performance shall be sought or rendered against the Mortgagor Parties, their successors, transferees or assigns, in any action or proceeding arising out of this Subordinate Mortgage, the Loan Agreement, the Subordinate Bonds, or any judgment, order or decree rendered pursuant to any such action or proceeding; provided, however, that nothing in this Subordinate Mortgage, the Loan Agreement or the Subordinate Bonds shall limit the Mortgagee's ability to exercise any right or remedy that it may have with respect to any property pledged or granted to the Mortgagee, or to exercise any right against the Mortgagor or any other person or entity on account of any damage caused by fraud or intentional misrepresentation by the Mortgagor or any intentional damage of the property subject to this Subordinate Mortgage. Furthermore, the Mortgagor shall be fully liable for the misapplication of (i) proceeds paid prior to any foreclosure under any and all insurance policies, under which the Mortgagee is named as insured, by reason of damage, loss or destruction to any portion of the property subject to this Subordinate Mortgage, to the full extent of such misapplied proceeds and awards, (ii) proceeds or awards resulting from the condemnation, or other taking in lieu of condemnation, prior to any foreclosure of the property subject to this Subordinate Mortgage, to the full extent of such misapplied proceeds and awards (iii) rents, issues, profits and revenues received or applicable to a period subsequent to the occurrence of a default under this Subordinate Mortgage, the Loan Agreement and the Subordinate Bonds but prior to foreclosure, and (iv) proceeds from the sale of all or any part of the property subject to this Subordinate Mortgage and any other proceeds that, under the terms hereof, should have been paid to the Mortgagee. Furthermore, the Mortgagor shall be fully liable for the breach of the Mortgagor's covenants contained in Sections 3.2, 4.4, 7.4, 9.5, 10.8, 10.11, 10.12, and 10.13 of the Loan Agreement; provided, however in no event shall the Mortgagor Parties be personally liable for payment of the principal of, premium, if any, or interest on the Subordinate Bonds. The limit on the Mortgagor's liability set forth in this paragraph shall not, however, be construed, and is not intended in any way, to constitute a release, in whole or in part, of the Mortgagor's obligations under the Loan Agreement or a release, in whole or in part, or an impairment of the lien and security interest of this Subordinate Mortgage, the Loan Agreement and the Subordinate Bonds upon the properties described therein, or to preclude the Mortgagee from foreclosing this Subordinate Mortgage in case of any default or enforcing any other right of the Mortgagee, or to alter, limit or affect the liability of any person or party who may now or hereafter or prior hereto guarantee, or pledge, grant or assign its assets or collateral as security for, the obligations of the Mortgagor under this Subordinate Mortgage, the Loan Agreement and the Subordinate Bonds.

29. Tax Credit Requirements. The Mortgagor and Mortgagee agree, notwithstanding any other provision herein to the contrary, that in the event of a foreclosure, that no tenant may be evicted for the three year period following foreclosure if such eviction would be contrary to the provisions of Section 42(h)(6)(E) of the Internal Revenue Code of 1986, as amended, and that this Subordinate Mortgage, the Loan Agreement, and the Subordinate Bonds are expressly subordinate to this provision.

30. Assignment. The Mortgagor acknowledges that this Subordinate Mortgage will be assigned to the Trustee by the Mortgagee, and that the Trustee will have all the rights, obligations and interests of the Mortgagee herein. After such assignment, references to the Mortgagee herein shall be deemed to refer to the Trustee.

31. Mortgage Registry Tax. This Subordinate Mortgage is exempt from the tax imposed under Minnesota Statutes, Section 287.035 for the privilege of recording a mortgage, pursuant to Minnesota Statutes, Section 287.04(f), as amended.

32. Successors and Assigns. The covenants and agreements herein contained shall bind, and the rights hereunder shall inure to the respective successors and assigns of the Assignor and the Assignee, including any purchaser at a foreclosure sale.

33. Captions. The captions and headings of the paragraphs of this Subordinate Mortgage are for convenience only and shall not be used to interpret or define the provisions of this Subordinate Mortgage.

34. Subordination. Pursuant to the Subordination Agreement, dated September ____, 2018, between the Borrower, the Trustee, and the Fiscal Agent, the lien of mortgage created hereunder shall be subordinate and junior to the lien of the Senior Mortgages.

35. Waiver of Setoff. The Mortgagor represents and agrees that no rent has been or will be paid in advance by any persons in possession of all or any portion of the Mortgaged Property for a period of more than one (1) month and that the payment of none of the rents to accrue for all or any portion of the Mortgaged Property has or will be waived, released, reduced or discounted, or otherwise discharged or compromised, by the Mortgagor. The Mortgagor waives any right of setoff against any person in possession of all or any portion of the Mortgaged Property. The Mortgagor represents that it has not assigned any of said rents or profits to any third party and agrees that it will not so assign any of said rents or profits without the prior written consent of the Mortgagee.

36. Electronic Signatures. The parties agree that the electronic signature of a party to this Subordinate Mortgage shall be as valid as an original signature of such party and shall be effective to bind such party to this Subordinate Mortgage. For purposes hereof, (i) “electronic signature” means a manually signed original signature that is then transmitted by electronic means; and (ii) “transmitted by electronic means” means sent in the form of a facsimile or sent via the internet as a portable document format (“pdf”) or other replicating image attached to an electronic mail or internet message.

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IN WITNESS WHEREOF, the Mortgagor has executed this Subordinate Combination Mortgage, Security Agreement, Fixture Financing Statement, and Assignment of Leases and Rents as of the date and year first written above.

MINNETONKA LEASED HOUSING ASSOCIATES III, LLLP, a Minnesota limited liability limited partnership

By: Minnetonka Leased Housing Associates SPE III, LLC, a Delaware limited liability company
Its: General Partner

By: _____
Name: Ryan J. Lunderby
Its: Vice President

STATE OF MINNESOTA)
) SS.
COUNTY OF HENNEPIN)

The foregoing instrument was acknowledged before me this ____ day of _____, 2018, by Ryan J. Lunderby, the Vice President of Minnetonka Leased Housing Associates SPE III, LLC, a Delaware limited liability company, the general partner of Minnetonka Leased Housing Associates III, LLLP, a Minnesota limited liability limited partnership, on behalf of the Mortgagor.

Notary Public

EXHIBIT A

LEGAL DESCRIPTION

Lot 1, Block 1, DOMINIUM 2ND ADDITION, Hennepin County, Minnesota

EXHIBIT B

PERMITTED ENCUMBRANCES

[Insert Permitted Encumbrances]