3. **Preservation of Collateral by the Secured Parties.** Should the Developer fail or refuse to make any payment, perform or observe any other covenant, condition or obligation, or take any other action required by the terms of this Security Agreement at the time or in the manner herein provided, then the Secured Parties may, at the Secured Parties sole discretion, without notice to or demand upon the Developer, and without releasing the Developer from any obligation, covenant or condition hereof, make, perform, observe, take or do the same in such manner and to such extent as the Secured Parties may deem necessary to protect their security interest in or the value of the Collateral. Furthermore, the Secured Parties may commence, defend, appeal or otherwise participate in any action or proceeding purporting to affect their security interest in or the value of the Collateral. The Developer hereby agrees to reimburse the Secured Parties on demand for any payment made, or any expense incurred by the Secured Parties pursuant to the foregoing authorization (including court costs and reasonable attorneys' fees and disbursements), and agrees further to pay interest thereon, from the date of said payment or expenditure until the Secured Parties have been reimbursed in full, at the rate specified in the First Secured Note as the "Default Rate".

4. **Use of Collateral by Developer.** Until an Event of Default is made hereunder, the Developer may have possession of the Collateral and use it in any lawful manner consistent with this Security Agreement and any policy of insurance affecting the Collateral. The Surety agrees that any information contained in any contracts or Plans pertaining to the Premises, including those contracts and Plans assigned to the Surety by the Developer pursuant to the Collateral Assignment of Architect's Contract, Plans and Specifications and Tests dated as of October 1, 1984, are to be treated as confidential and shall not be disclosed to any third party except as contemplated by the Commitment or in connection with the administration of the Collateral upon the occurrence of an Event of Default if such disclosure shall be necessary in the sole discretion of the Surety to sell or otherwise facilitate the realization of the value of the Collateral.

5. **Events of Default.** The occurrence of any of the following shall constitute an event of default ("**Event of Default**") hereunder:

(a) if an Event of Default shall occur and shall be continuing under the First Mortgage, or if Developer shall fail to perform any covenant or agreement under this Security Agreement within 30 days following notice thereof from the Trustee or the Surety to the Developer; or

(b) if any writ or any distress warrant shall be issued against or levied on the Collateral, or any part thereof; or if the Developer shall sell or assign or attempt to sell or assign the Collateral, or any interest therein, in violation of paragraph 2(e) hereof, which event shall not be corrected or cured by the Developer within 20 days after notice thereof by the Secured Parties; or

(c) if the Collateral or any part thereof is removed or transferred, or attempted to be removed or transferred, from the Premises, or sold or disposed of, in violation of the terms of Paragraphs 2(c) and 2(e), and substitute Collateral is not provided within 20 days thereafter; or

(d) if any representation or warranty made by the Developer herein, or in any of the Loan Documents or the Second Mortgage Documents or in any other instrument, agreement or written statement in any way related hereto, to the Collateral or any portion thereof, or the Loan, shall prove to have been false or incorrect in any material respect on or after the date when made.

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