

**3.3. Defense of Title.**

If at any time, the title or interest of the Surety to the Mortgaged Property, or any part thereof, shall be endangered or shall be attacked, directly or indirectly, the Developer hereby authorizes the Surety, at the Developer's expense, to take all necessary and proper steps for the defense of such title or interest, including the employment of counsel, the prosecution or defense of litigation and the compromise or discharge of claims made against such title or interest in the Mortgaged Property. The Developer will indemnify and hold the Surety harmless from and against any and all loss, cost, damage, liability or expense incurred by either beneficiary in protecting the interests of the Surety hereunder in such an event (including all court costs and reasonable attorneys' fees).

**SECTION 4. TAXES.**

**4.1. Payment.**

Subject to the provisions of Section 4.2, the Developer shall pay or cause to be paid when due and before any penalty attaches, all general and special taxes, assessments, water charges, sewer charges, and other fees, taxes, charges and assessments of every kind and nature whatsoever levied or assessed against the Premises or any part thereof or any interest therein, or any obligation or instrument secured hereby, and all installments thereof (all herein referred to as "Taxes"), whether or not assessed against the Developer, and the Developer shall furnish to the Surety receipts therefor on or before the date the same are due; and shall discharge any claim or lien relating to Taxes upon the Premises, other than matters expressly permitted by the terms of the Loan Agreement.

**4.2. Contest.**

The Developer may, in good faith and with reasonable diligence, contest or cause to be contested the validity or amount of any such Taxes, provided that:

(a) such contest shall have the effect of preventing the collection of the Taxes so contested and the sale or forfeiture of the Premises or any part thereof or interest therein to satisfy the same;

(b) the Developer has notified the Surety in writing of the intention of the Developer to contest such Taxes before any increase by interest, penalties, or costs; and

(c) the Developer has deposited or caused to be deposited with the Surety, a sum of money or other security reasonably acceptable to the Surety that, when added to the moneys or other security, if any, deposited with the Surety pursuant to Section 8 hereof, is sufficient, in the Surety's reasonable judgment, to pay in full such contested Taxes and all penalties and interest that might become due thereon.

In the event the Developer fails to prosecute such contest with reasonable diligence or fails to maintain sufficient funds on deposit as hereinabove provided, the Surety may, at its option, apply the moneys and liquidate any securities deposited with the Surety, in payment of, or on account of, such Taxes, or any portion thereof then unpaid, including all penalties and interest thereon. If the amount of the money and any such security so

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