

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 OR 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): June 17, 2019

AMREP CORPORATION

(Exact name of registrant as specified in its charter)

Oklahoma

(State or other jurisdiction of
incorporation)

1-4702

(Commission File
Number)

59-0936128

(IRS Employer
Identification No.)

**620 West Germantown Pike, Suite 175
Plymouth Meeting, PA**

(Address of principal executive offices)

19462

(Zip Code)

Registrant's telephone number, including area code: (610) 487-0905

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communication pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communication pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communication pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock \$.10 par value	AXR	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 1.01 Entry into a Material Definitive Agreement.

On June 17, 2019, Lomas Encantadas Development Company LLC (“Borrower”), an indirect subsidiary of AMREP Corporation, entered into a Development Loan Agreement with BOKF, NA dba Bank of Albuquerque (“Lender”). The Development Loan Agreement is evidenced by a Non-Revolving Line of Credit Promissory Note, dated June 17, 2019, and is secured by a Mortgage, Security Agreement and Financing Statement, between Borrower and Lender, dated June 17, 2019, with respect to certain planned residential lots within the Lomas Encantadas subdivision located in Rio Rancho, New Mexico. Pursuant to a Guaranty Agreement, dated June 17, 2019, entered into by AMREP Southwest Inc. (“Guarantor”), an indirect subsidiary of AMREP Corporation, in favor of Lender, Guarantor has guaranteed Borrower’s obligations under each of the above agreements.

Pursuant to the loan documentation, Lender agrees to lend up to \$2,475,000 to Borrower on a non-revolving line of credit basis to partially fund the development of certain planned residential lots within the Lomas Encantadas subdivision. Interest on the outstanding principal amount of the loan is payable monthly at the annual rate equal to the London Interbank Offered Rate for a thirty-day interest period plus a spread of 3.0%, adjusted monthly. Lender is required to release the lien of its mortgage on any lot upon Borrower making a principal payment of \$37,500. Borrower is required to make periodic principal repayments of borrowed funds not previously repaid as follows: \$900,000 on or before March 17, 2021, \$300,000 on or before June 17, 2021, \$300,000 on or before September 17, 2021, \$262,500 on or before December 17, 2021, \$525,000 on or before March 17, 2022 and \$187,500 on or before June 17, 2022. The outstanding principal amount of the loan may be prepaid at any time without penalty. The loan is scheduled to mature on June 17, 2022.

Borrower and Guarantor have made certain representations and warranties in connection with this loan and are required to comply with various covenants, reporting requirements and other customary requirements for similar loans. The loan documentation contains customary events of default for similar financing transactions, including: Borrower’s failure to make principal, interest or other payments when due; the failure of Borrower or Guarantor to observe or perform their respective covenants under the loan documentation; the representations and warranties of Borrower or the Guarantor being false; the insolvency or bankruptcy of Borrower or Guarantor; and the failure of Guarantor to maintain a tangible net worth of at least \$32 million. Upon the occurrence and during the continuance of an event of default, Lender may declare the outstanding principal amount and all other obligations under the loan immediately due and payable. Borrower incurred certain customary costs and expenses and paid certain fees to Lender in connection with the loan.

The foregoing description of the loan documentation is a summary only and is qualified in all respects by the provisions of the loan documentation; copies of the Development Loan Agreement, Non-Revolving Line of Credit Promissory Note, Mortgage, Security Agreement and Financing Statement, Guaranty Agreement are attached hereto as Exhibits 10.1 through 10.4 and are incorporated herein by reference.

Item 1.02 Termination of a Material Definitive Agreement.

Reference is made to Note 8 to the consolidated financial statements contained in the annual report on Form 10-K of AMREP Corporation for the year ended April 30, 2018, which was filed with the SEC on July 20, 2018, regarding the Development Loan Agreement entered into between Lender and Borrower in December 2017, in which Lender agreed to lend up to \$4,750,000 to Borrower on a non-revolving line of credit basis to partially fund the development of certain residential lots within the Lomas Encantadas subdivision. Borrower has repaid all outstanding amounts due to Lender under such loan and, on June 17, 2019, the loan was terminated.

Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

The information in Item 1.01 of this Current Report on Form 8-K is incorporated by reference into this Item 2.03.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit Number	Description
<u>10.1</u>	<u>Development Loan Agreement, dated as of June 17, 2019, between BOKF, NA dba Bank of Albuquerque and Lomas Encantadas Development Company, LLC.</u>
<u>10.2</u>	<u>Non-Revolving Line of Credit Promissory Note, dated June 17, 2019, by Lomas Encantadas Development Company, LLC in favor of BOKF, NA dba Bank of Albuquerque.</u>
<u>10.3</u>	<u>Mortgage, Security Agreement and Financing Statement, dated as of June 17, 2019, between BOKF, NA dba Bank of Albuquerque and Lomas Encantadas Development Company, LLC.</u>
<u>10.4</u>	<u>Guaranty Agreement, dated as of June 17, 2019, made by AMREP Southwest Inc. for the benefit of BOKF, NA dba Bank of Albuquerque.</u>

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMREP Corporation

Date: June 17, 2019

By: /s/ Christopher V. Vitale
Name: Christopher V. Vitale
Title: President and Chief Executive Officer

EXHIBIT INDEX

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DEVELOPMENT LOAN AGREEMENT

This Development Loan Agreement (“Agreement”) is made and entered into effective as of June 17, 2019 (the “Effective Date”), among BOKF, NA dba Bank of Albuquerque (the “Lender”); and Lomas Encantadas Development Company, LLC, a New Mexico limited liability company (the “Borrower”), with reference to the following:

(a) Borrower has requested that Lender lend to Borrower up to Two Million Four Hundred Seventy-Five Thousand and No/100 Dollars (\$2,475,000.00), to partially finance Borrower’s development of 103 residential Lots (defined below) within Lomas Encantadas Unit 2C (Phase 3) on the real property more particularly described on Exhibit “A” attached hereto and made a part hereof (the “Mortgaged Property”).

(b) Subject to the terms, provisions, covenants and agreements hereinafter set forth, Lender has agreed to make the requested extension of credit.

NOW, THEREFORE, in consideration of the mutual covenants contained herein and the loan to be made hereunder, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Lender and Borrower hereby covenant and agree as follows:

1. **LENDING AGREEMENT**: Subject to the terms, provisions, covenants and agreements set forth in this Agreement, Lender agrees to lend to Borrower, and the Borrower agrees to borrow from Lender, up to the principal sum of Two Million Four Hundred Seventy-Five Thousand and No/100 Dollars (\$2,475,000.00), to be used by Borrower for the purposes of: (a) paying contractors, mechanics, materialmen, and suppliers pursuant to the terms of contracts for services in fact performed and materials purchased for and either incorporated into the development of the Mortgaged Property or suitably stored on the Mortgaged Property for later incorporation (such development work and the Mortgaged Property are hereinafter collectively referred to as the “Development”); (b) reimbursing Lender for reasonable expenses incurred by Lender pursuant to this Agreement; and (c) paying other reasonable costs that are incidental or related to the cost of completing or financing the Development to the extent included in the Development Budget (defined below).

2. **BORROWER’S NOTE**: The loan shall be evidenced by a Non-Revolving Line of Credit Promissory Note (the “Note”) in the principal amount of Two Million Four Hundred Seventy-Five Thousand and No/100 Dollars (\$2,475,000.00), which Note shall bear interest at the rate specified in the Note.

3. **COLLATERAL SECURITY**: The performance of all covenants and agreements contained in this Agreement and in the other documents executed or delivered as a part of this transaction and the payment of the Note shall be secured as follows:

3.1. Security Documents Covering Mortgaged Property: Borrower shall grant to Lender a first-lien mortgage covering all of the Mortgaged Property and a security interest in all personal property relating to such Mortgaged Property, which mortgage lien and security interest are evidenced by a Mortgage, Security Agreement and Financing Statement dated the same day as this Agreement made by Borrower in favor of Lender (the "Mortgage").

3.2. Hazardous Substances Indemnification Agreement: Borrower and Guarantor shall sign and deliver to Lender a Hazardous Substances Indemnification Agreement in the form required by Lender (the "HSIA").

3.3. Guaranty: AMREP Southwest, Inc. (the "Guarantor") shall sign and deliver to Lender a Guaranty Agreement in the form required by Lender (the "Guaranty").

3.4. Collateral Assignment of Contracts: The Borrower shall assign to Lender and grant a security interest to Lender in all contracts with contractors, architects and engineers (the "Assignment").

3.5. Additional Documents: Borrower shall also sign and deliver such Closing Certificates, Lien Affidavits, Closing Statements and other documents that Lender may reasonably request (collectively, the "Additional Documents"). Further, any and all collateral documents executed by Borrower in favor of Lender as security for any indebtedness of Borrower to Lender shall also expressly secure Borrower's obligations hereunder and under the Note and all documents that secure payment of the Note.

4. CONDITIONS OF LENDING: The obligation of Lender to perform this Agreement and to make an initial or any future advance or extension of credit hereunder is subject to the performance and existence of the following conditions precedent:

4.1. No Events of Default: There shall not have occurred and be continuing any Event of Default, and the representations and warranties set forth in the Loan Documents shall be true and accurate in all material respects.

4.2. Loan Documents: This Agreement, the Note, the Mortgage, the Assignment, the Guaranty, the HSIA, and the Additional Documents (collectively, the "Loan Documents") shall be duly authorized, executed and delivered to Lender.

4.3. Recording of Security Documents: The Mortgage and a Uniform Commercial Code Financing Statement naming Borrower as debtor and Lender as secured party shall be recorded in the appropriate county or state offices.

4.4. Title Evidence: Borrower shall provide to Lender a loan policy of title insurance with pending disbursements clause, issued by a title insurance company acceptable to Lender (the "Title Company"), evidencing that Borrower has good and indefeasible fee simple title to the Mortgaged Property and that the Mortgage constitutes a valid first mortgage lien on the Mortgaged Property, subject only to those matters waived by Lender. The title policy shall not include an exception based upon mechanics' and materialmen's liens. The premiums for the title policy shall be paid by Borrower.

4.5. Appraisal: Borrower shall pay for an independent appraisal evaluation of the Mortgaged Property by an appraiser selected and approved by Lender, which appraisal must comply with the standards set forth by the Comptroller of the Currency of National Banks.

4.6. Survey or Plat: Borrower shall deliver to Lender and the Title Company a plat of the Mortgaged Property in a form which is acceptable to Lender and the Title Company and will enable the issuer of the required loan policy of title insurance to delete all survey exceptions.

4.7. Insurance: Borrower shall obtain and maintain the insurance required to be maintained by the Mortgage.

4.8. Zoning and Use: If requested by Lender, Borrower shall furnish Lender satisfactory evidence that the Mortgaged Property is presently zoned for its intended use and that the Mortgaged Property is in full compliance with all municipal ordinances, codes, rules or regulations.

4.9. Permits: Borrower shall obtain and deliver to Lender copies of all permits required to commence, and thereafter to continue, work on the Development or any part thereof, including, without limitation, permits issued by the City of Rio Rancho, New Mexico.

4.10. Cost Breakdown and Budget: The Borrower shall submit, for approval by Lender, complete plans for the Development and a detailed cost breakdown and budget of the work entailed in the Development showing the total costs involved (both direct and indirect) (collectively, the "Development Budget"), which approval shall not be unreasonably withheld or delayed. Following approval by Lender, the Development Budget shall not be changed in any material respect without the prior written consent of Lender.

4.11. Existence and Authority: If requested by Lender, Borrower shall provide to Lender true and correct copies of the documents that created and evidence Borrower and all amendments thereto including: (i) filed Articles of Organization and Certificate of Organization from the New Mexico Secretary of State ("NMSOS"); (ii) a Certificate of Good Standing issued by the NMSOS; (iii) authorization from Borrower to enter into this agreement, and any other Loan Documents required by Lender in connection with this Agreement; and (iii) the operating agreement of Borrower and all amendments thereto.

4.12. Cash Equity. In addition to any other equity or loan to value requirements Borrower shall have provided evidence reasonably satisfactory to Lender that Borrower has invested cash equity in the Development, as determined by Lender, of not less than fifteen percent (15%) of the "as completed" appraised value of the Development as of the date of the initial advance under the Note. Borrower's equity in the Mortgaged Property, including without limitation its investment in the offsite infrastructure supporting the Mortgaged Property, shall be included in any calculation of the cash equity required by this Section 4.12.

4.13. Loan Origination Fee: At the time the Note is signed, Borrower shall remit to Lender a fully earned, non-refundable loan origination fee of Twelve Thousand Three Hundred Seventy Five and No/100s Dollars (\$12,375.00).

5. REPRESENTATIONS AND WARRANTIES: In addition to all other representations and warranties of Borrower to Lender, Borrower represents and warrants that:

5.1. Existence; Compliance with Law: Borrower (i) is duly organized or formed, as applicable, validly existing and (if relevant) in good standing under the laws of the jurisdiction of its organization or formation, as the case may be, (ii) has the limited liability company power and authority and the legal right, to own and operate its property and assets, to lease the property and assets it leases and causes to be operated as lessee, and to conduct the business in which it is currently engaged under the governmental requirements of each jurisdiction in which it owns, leases and/or operates its property or assets, (iii) is duly qualified as a foreign limited liability company, and (if relevant) in good standing under the laws of each jurisdiction where its ownership, lease or operation of property or assets or the conduct of its business requires such qualification, (iv) is in material compliance with its applicable organizational documents, and (v) is in compliance with all governmental requirements, except to the extent that the failure to comply therewith could not, individually or in the aggregate, reasonably be expected to have a material adverse effect on Borrower.

5.2. Entity Power; Authorization; Enforceable Obligations: Borrower has the power and authority, and the legal right, to make, deliver and perform the Loan Documents and to borrow hereunder, and has taken all necessary limited liability company or other action to authorize the execution, delivery and performance of the Loan Documents and to authorize the borrowings on the terms and conditions of this Agreement and the other Loan Documents. No consent or authorization of, filing with, notice to or other act by or in respect of, any governmental authority or any other person is required in connection with the borrowings hereunder or the execution, delivery, performance, validity or enforceability of this Agreement or any of the other Loan Documents, except consents, authorizations, filings and notices which have been obtained or made and are in full force and effect. Each Loan Document has been duly executed and delivered on behalf of Borrower. This Agreement constitutes, and each other Loan Document upon execution shall constitute, a legal, valid and binding obligation of Borrower, enforceable against Borrower in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

5.3. No Legal Bar: The execution, delivery and performance of this Agreement, the other Loan Documents, the borrowings hereunder and the use of the proceeds thereof shall not violate any governmental requirement or any contractual or other obligation of Borrower and shall not result in, or require, the creation or imposition of any lien on any of Borrower's assets, properties or revenues pursuant to any governmental requirement or any such contractual or other obligation (other than the liens created by the Loan Documents). No governmental requirement or contractual or other obligation applicable to Borrower or Borrower's properties or assets could reasonably be expected to have a material adverse effect on Borrower. No performance of a contractual or other obligation by Borrower, either unconditionally or upon the happening of an event, would result in the creation of a lien (other than a permitted lien) on the property, assets or revenues of Borrower.

5.4. No Conflicting Agreements: There is no provision of any existing agreement, mortgage, indenture, instrument, document or contract binding on Borrower or affecting any property or asset of Borrower, which would conflict with or in any way prevent the execution, delivery or carrying out of the terms of this Agreement and the other Loan Documents.

5.5. Ownership of Properties; Liens: Borrower has good and indefeasible title to the Mortgaged Property, and the Mortgaged Property is not subject to any deed of trust, mortgage, pledge, security interest, encumbrance, lien or charge of any kind, excluding only: (a) deposits to secure payment of worker's compensation (if any), unemployment insurance and other similar benefits; (b) liens for property taxes not yet due; (c) statutory liens, against which there are established reserves in accordance with generally accepted accounting principles, and which arise in the ordinary course of business and secure obligations of Borrower which are not yet due and not in default; (d) encumbrances in favor of Lender and (e) matters reflected in the loan policy of title insurance.

5.6. Financial Condition: The financial statements, information and materials of Borrower heretofore delivered to Lender fairly and accurately present in all material respects Borrower's consolidated financial condition (including its assets and liabilities) as of the date or dates thereof (subject, in the case of the interim financial statements, to normal year-end adjustments and the absence of notes), and there have been no material adverse changes in Borrower's financial condition or operations since the date or dates thereof. Borrower does not currently have material guarantee obligations, contingent liabilities and liabilities for taxes, or any long-term leases or unusual forward or long-term commitments, which are not reflected in the most recent financial statements, information and materials referred to in this section.

5.7. Licenses, Permits, Etc.: Borrower possesses or will possess prior to the commencement of construction and construction of each subsequent phase of the Development, all licenses, permits, consents, approvals, franchises and intellectual property (or otherwise possesses the right to use such intellectual property without violation of the rights of any other person) which are necessary for the completion of the Development, except for those licenses, permits, consents, approvals, franchises and intellectual property the failure of which to possess could not reasonably be expected to have a material adverse effect on Borrower. Borrower is not in violation in any material respect of the terms under which it possesses any such licenses, permits, consents, approvals, franchises and intellectual property or the right to use such licenses, permits, consents, approvals, franchises and intellectual property.

5.8. Contractual Default: Borrower is not in default under or with respect to any of their respective contractual obligations in any respect that could reasonably be expected to have a material adverse effect on Borrower.

5.9. No Change: Since May 1, 2019, there has been no development or event that has had or could reasonably be expected to have a material adverse effect on the Mortgaged Property or Borrower.

5.10. Litigation: There is no litigation, investigation or proceeding of or before any arbitrator, mediator or any governmental authority or, to Borrower's knowledge, threatened by or against Borrower or against any of any Borrower's assets, properties or revenues: (a) with respect to any of the Loan Documents or any of the transactions contemplated hereby, or (b) that could reasonably be expected to have a material adverse effect on the Mortgaged Property or Borrower.

5.11. Employee Retirement Income Security Act of 1994 (ERISA): Borrower has not incurred any "accumulated funding deficiency" within the meaning of Section 302(a)(2) of ERISA as amended from time to time with respect to any employee pension or other benefit plan or trust maintained by or related to Borrower, and Borrower has not incurred any material liability to the Pension Benefit Guaranty Corporation (PBGC) as established pursuant to Section 4002 of ERISA in connection with any such plan. No reportable event described in Sections 4042(a) or 4043(b) of ERISA with respect to any such plan has occurred. The representations contained in this paragraph 5.11 are subject to the statements and disclosures contained in Note 11 of the AMREP Corporation SEC Form 10-K dated April 30, 2018 and in the AMREP Corporation SEC Form 8-K dated April 26, 2019.

5.12. Insurance: All policies of insurance of any kind or nature of any Borrower, including policies of fire, theft, product liability, public liability, property damage, other casualty, employee fidelity, workers' compensation and employee health and welfare insurance, if and as applicable, are in full force and effect as of the date of this Agreement and are of a nature and provide such coverage as is customarily carried by businesses of the size and character of Borrower. Borrower has not been refused insurance for any material coverage for which it has applied or has had any policy of insurance terminated (other than at Borrower's request).

5.13. Taxes: Borrower has timely filed or requested appropriate extensions (or caused to be timely filed or extended) all federal, state and other tax returns, reports and statements (collectively, "Tax Returns") that are required to be filed by Borrower with the appropriate governmental authorities in all jurisdictions in which such Tax Returns are required to be filed; all such Tax Returns are true and correct in all material respects; Borrower has timely paid, prior to the date on which any fine, penalty, interest, late charge or loss may be added thereto for non-payment thereof, all taxes shown to be due and payable on said Tax Returns or on any assessments made against Borrower or any of Borrower's properties or assets, and all other taxes, fees or other charges imposed on Borrower or any of Borrower's properties or assets by or otherwise due and payable to any governmental authority (other than any for which the amount or validity of which are currently being contested in good faith by appropriate proceedings); and no tax lien has been filed against the property or assets of Borrower and, to Borrower's knowledge, no claim is being asserted, with respect to any such tax, fee or other charge. No Tax Return is under audit or examination by any governmental authority and no notice of such an audit or examination or any assertion of any claim for taxes has been given or made by any governmental authority. Proper and accurate amounts have been withheld by Borrower (if and to the extent any such withholdings are so required) for all periods in full and complete compliance with the tax, social security, health care and unemployment withholding provisions of applicable governmental requirements, and such withholdings (if any) have been timely paid to the respective governmental authorities. Borrower (i) does not intend to treat the Loan or any other transaction contemplated hereby as being a "reportable transaction" (within the meaning of Treasury Regulation 1.6011-4), and (ii) is not aware of any facts or events that would result in such treatment. Due to Borrower's date of organization, Borrower has not yet filed any Tax Returns.

5.14. Margin Regulations: No part of the proceeds of the Loan shall be used for buying or "carrying" any "margin stock" within the respective meanings of each of the quoted terms under Regulation U (as defined within the applicable governmental requirements promulgated by the applicable governmental authorities from time to time) as now and from time to time hereafter in effect or for any purpose that violates the provisions of any governmental authority. If requested by Lender, Borrower shall furnish to Lender a statement to the foregoing effect in conformity with the requirements of FR Form G-3 or FR Form U-1, as applicable, referred to in Regulation U.

5.15. Investment Company Act: Borrower is not an "investment company", or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended. Borrower is not subject to regulation under any governmental requirement which limits its ability to incur Indebtedness, other than Regulation X (as defined within the applicable governmental requirements promulgated by the applicable governmental authorities from time to time).

5.16. Patriot Act: Borrower and its affiliates are in compliance, in all material respects, with the Patriot Act. No part of the proceeds of the Loan shall be used, directly or indirectly, for any payments to any (i) governmental authority's officials or employees, (ii) political party, (ii) official of any political party, (iv) candidate for political office, or (v) anyone other person acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of the United States Foreign Corrupt Practices Act of 1977, as amended.

5.17. OFAC: None of Borrower or any affiliate of any Borrower: (a) is a sanctioned person; (b) owns assets in sanctioned entities; or (c) derives any of its operating income from investments in, or transactions with sanctioned persons or sanctioned entities. None of the proceeds of any Loan shall be used or have been used to fund any operations in, finance any investments or activities in, or make any payments to, a sanctioned person or a sanctioned entity.

5.18. No Default: No Event of Default has occurred and is continuing.

5.19. Adverse Circumstances: To Borrower's knowledge, neither the business nor any property or asset of any Borrower is presently affected by any fire, explosion, accident, strike, lockout, or other dispute, embargo, act of God, act of public enemy or terrorism, or similar event or circumstance, nor has any other event or circumstance relating to any Borrower's business, affairs, properties or assets occurred, any of which could have a material adverse effect on Borrower.

5.20. Accuracy of Information: To Borrower's knowledge, all factual information provided to Lender in connection with the Loan evidenced by the Note is and shall be true, accurate and complete in all material respects on the date as of which such information was delivered to Lender and was not and shall not be incomplete by the omission of any material fact necessary to make such information not misleading, provided that, with respect to projected financial information, prospect information, geological and geophysical data and engineering projections, Borrower only represents that such information was prepared in good faith based upon assumptions believed to be reasonable at the time.

5.21. Environmental: To Borrower's knowledge, the conduct of Borrower's business operations and the condition of Borrower's properties or assets owned, operated or managed by Borrower does not violate any Environmental Law (as defined in the HSIA between Borrower and Lender of even date herewith). Borrower has not received notice of, nor, to Borrower's knowledge are there presently existing, any judicial, administrative, arbitral or other proceeding (including any notice of violation or alleged violation) under or relating to any Environmental Law or any environmental permit to which any Borrower is, or to Borrower's knowledge, shall be, named as a party that is pending or, to any Borrower's knowledge, threatened. Borrower has not received any written request for information, or been notified that any Borrower is a potentially responsible party under or relating to any Environmental Law. Borrower has not entered into or agreed to any consent decree, order, or settlement or other agreement or undertaking, and Borrower is not subject to any judgment, decree, or order or other agreement, in any judicial, administrative, arbitral or other forum for dispute resolution, relating to compliance with or liability under any Environmental Law. Borrower has not assumed or retained, by contract, operation of law or otherwise, any liabilities of any kind, fixed or contingent, known or unknown, under any Environmental Law. Borrower has made available to Lender copies of all significant reports, correspondence and other documents, if any, in its possession, custody or control regarding compliance by Borrower with, or potential liability of Borrower under, Environmental Laws or environmental permits.

5.22. Compliance with Laws: To Borrower's knowledge, Borrower is presently in compliance in all material respects with all applicable governmental requirements to which Borrower, or any of Borrower's assets or properties, is subject, except where the failure to so comply could not reasonably be expected to have a material adverse effect on Borrower.

5.23. Solvency; Compliance with Financial Covenants: Borrower is, and after giving effect to the incurrence of all Indebtedness and obligations being incurred in connection herewith shall be and shall continue to be, solvent.

5.24. Availability of Utility Service: All utility services necessary for the maintenance and use of the Mortgaged Property are or will be available to the Mortgaged Property, including water supply, storm and sanitary sewer facilities, electric and gas utilities and cable television lines.

5.25. No Commencement of Work: Prior to recordation of the Mortgage, no work of any kind incident to the Development shall have commenced, no equipment or material shall have been delivered to or stored upon the Mortgaged Property for any purpose whatsoever, and no contracts (or memorandum or affidavit thereof) for the supplying of labor or materials for the Development nor affidavit of commencement of construction shall have been recorded in the real property records of the county in which the Mortgaged Property is located.

5.26. Continuation of Representations and Warranties; Borrower's Knowledge: All representations and warranties made under this Agreement shall be deemed to be made at and as of the closing date and each funding date. Whenever used in this Agreement, the phrase "to Borrower's knowledge" means to the actual knowledge of Borrower's President as of the Effective Date, without independent inquiry and without review of any files.

6. BORROWER'S AFFIRMATIVE COVENANTS: Until payment in full of the Note and performance of all obligations owing to Lender under this Agreement and the instruments executed pursuant hereto, unless the Lender shall otherwise consent in writing, Borrower agrees to perform or cause to be performed the following:

6.1. Performance of Obligations: Borrower will promptly and punctually perform all of the obligations hereunder, and under all other instruments executed or delivered pursuant thereto and under the terms of any other contract or agreement entered into by the Borrower in connection with the Development.

6.2. Financial Information: Borrower will maintain adequate and accurate books and records of account. Lender shall have the right to examine and copy such books and records, including all books and records relating to the Development, to discuss the affairs, finances and accounts of Borrower and to be informed as to the same from time to time as Lender might reasonably request. Borrower will provide Lender with: (a) quarterly unaudited and without footnotes financial statements within sixty (60) days of each quarter end, beginning with the quarter ending July 31, 2019; and (b) annual unaudited and without footnotes financial statements within one hundred twenty (120) days of fiscal year end. All financial information provided to Lender will be in form and content acceptable to Lender in its sole discretion.

6.3. Notification of Liens: Other than items identified in the title policy required hereunder, Borrower will notify Lender of the existence or asserted existence of any mortgages, pledge, lien, charge or encumbrance on the Mortgaged Property, personal or real, tangible or intangible, forthwith upon Borrower's obtaining knowledge thereof, excluding only: (a) encumbrances in favor of Lender; (b) deposits to secure payment of worker's compensation, unemployment insurance and similar benefits; (c) statutory liens arising in the ordinary course of Borrower's business which secure current obligations of Borrower which are not in default.

6.4. Payment of Taxes: All taxes, assessments and governmental charges or levies imposed on the Borrower or on Borrower's assets, income or profits, will be paid prior to delinquency. Notwithstanding the foregoing, the Borrower shall not be required to pay any tax, assessment, charge or levy which is being contested in good faith by proper proceedings; provided, however, at any time after a tax lien, of any type, is filed or notice thereof is received, upon request of Lender, Borrower shall deposit with Lender the amount so contested and unpaid together with all interest that may or might be assessed or be a charge on the Mortgaged Property or any part thereof.

6.5. Lender's Access: Upon one (1) business day's written notice, Borrower will, during normal business hours and as often as Lender may reasonably request but not exceeding once per month during the term of this Agreement so long as Borrower is not in default hereunder, permit any of Lender's officers or any authorized representatives of Lender to visit and inspect the Development, to enter upon the Mortgaged Property, to inspect the Development progress thereof and all materials to be used in the Development, and to examine the current plans and specifications.

6.6. Compliance with Laws: Borrower will comply with all statutes, laws, rules and regulations in all material respects to which the Borrower is subject or by which its properties are bound or affected, including, without limitation, (a) ERISA; (b) those pertaining or relating to environmental standards and controls; (c) those pertaining to occupational health and safety standards (d) those pertaining to equal employment and credit practices and civil rights, and (e) those pertaining to the ownership, operation and use of the Development.

6.7. Maintenance: Borrower will maintain its existence, remain in good standing in each jurisdiction in which it is required to be qualified or licensed, maintain all franchises, permits, intellectual properties and licenses necessary or useful in the operation of its business heretofore operated and as to be operated as contemplated hereby, and Borrower will maintain or cause to be maintained its properties in good and workable condition, repair, and appearance, and protect the same from deterioration, other than normal wear and tear, at all times.

6.8. Further Assurances: Borrower will, from time to time, promptly cure any defects or omissions in the execution and delivery of, or the compliance with the Loan Documents, or the conditions described herein, including the execution and delivery of additional documents reasonably requested by Lender.

6.9. Events with Respect to ERISA: As soon as possible and in any event within thirty (30) days after Borrower knows or has reason to know that any reportable event described in Sections 4042(a) or 4043(b) of ERISA with respect to any employee pension or other benefit plan or trust maintained by or related to Borrower has occurred, or that PBGC has instituted or will institute proceedings under ERISA to terminate any such plan, Borrower will deliver to Lender (a) a certificate of an officer of Borrower setting forth details as to such event and the action which Borrower proposes to take with respect thereto, and (b) a copy of any notice delivered by PBGC evidencing its intent to institute such proceedings. For all purposes of this covenant, Borrower shall be deemed to have all knowledge or knowledge of all facts attributable to the plan administrator of such plan under ERISA. Borrower will furnish to Lender (or cause such plan administrator to furnish to Lender) the annual report for each plan covered by ERISA maintained by or related to Borrower as filed with the Secretary of Labor not later than ten (10) days after the receipt of a request from Lender in writing for such report.

6.10. Other Notifications: Borrower will notify Lender as soon as practicable, but in any event within five (5) business days after Borrower knows or has reason to know that any of the following has occurred: (a) an Event of Default; (b) any material adverse change in the nature of or property comprising the Mortgaged Property; and (c) any change in the accounting practices and procedures of Borrower, including a change in the financial conditions, business or operations of Borrower.

6.11. Compliance with Organizational Documents: Borrower shall timely perform all of its responsibilities and obligations under the Borrower's Articles of Organization, Operating Agreement and any other documents now or hereafter evidencing Borrower.

6.12. Completion of Development: Borrower shall complete the work of the Development on or before December 17, 2021.

6.13. Regulatory Compliance: Borrower shall at all times cause the Development to remain in full compliance with all required equity thresholds and capital retention obligations set forth in Part 217 of Chapter II of title 12 of the Code of Federal Regulations (HVCRE regulations) such that the Development would not, in the determination of Lender need to be classified as High Volatility Commercial Real Estate.

6.14. Continuity of Construction: Borrower shall prosecute with diligence and continuity the construction of the work and improvements and will not suspend or cease construction for a period longer than thirty (30) days. Borrower's obligation under this provision shall be subject to exception due to events of Force Majeure Delay. "Force Majeure Delay" shall mean a delay in progress of construction due to weather, act of God, unavailability or shortage of labor or materials, national emergency, fire or other casualty, natural disaster, war, delays or actions of governmental authorities or utilities, riots, acts of violence, labor strike, injunctions in connection with litigation, or other cause which is not within the reasonable control of Borrower. Force Majeure Delay does not include the failure to order and obtain materials in a timely fashion for the continuous development of the Development and does not include financial difficulties of the Borrower.

7. BORROWER'S NEGATIVE COVENANTS: Until payment in full of the Loan and unless Lender shall otherwise consent in writing, Borrower will not perform or permit to be performed any of the following acts:

7.1. Creation or Existence of Liens: Borrower shall not create, assume or suffer to exist any mortgage, pledge, lien, charge or encumbrance on the Mortgaged Property without the prior approval of Lender, excluding only: (a) encumbrances in favor of the Lender; (b) deposits to secure payment of workmen's compensation, unemployment insurance and similar benefits; (c) statutory liens, against which there are established reserves in accordance with generally accepted accounting principles, and which arise in the ordinary course of Borrower's business and secure current obligations of Borrower which are not in default; (d) liens for property taxes not yet due; and (e) such matters reflected in the mortgagee policy of title insurance and in the Mortgage. Lender understands and approves Borrower recording on the Mortgaged Property: (i) one or more Final Plats (as defined below) of the Mortgaged Property which may contain grants of easements, dedications of right-of-way and other encumbrances necessary to create the subdivided Lots (as defined below); (ii) one or more Supplemental Declarations of Covenants, Conditions and Restrictions bringing the Mortgaged Property into the Lomas Encantadas Master Homeowners Association, Inc.; and (iii) one or more Notices of Levy in connection with the Lomas Encantadas Public Improvement District.

7.2. Transfer of Mortgaged Property: Borrower shall not sell, transfer or convey all or any portion of the Mortgaged Property except as permitted by this Agreement; and the Borrower shall not transfer, whether voluntarily or involuntarily, sell or assign more than 50% of the ownership interest of Borrower without the prior consent of Lender. If Borrower transfers, whether voluntarily or involuntarily, sells or assigns any of the ownership interest of Borrower, Borrower will give written notice to Lender of the percentage of ownership interest transferred, sold or assigned and the parties to whom the ownership interest was transferred, sold or assigned within ten (10) days of the effective date of the transfer, sale or assignment.

7.3. Use of Loan Proceeds: Borrower shall not use or permit any related person, association or entity to use any funds advanced to Borrower under this Agreement to (a) defray living expenses, (b) anticipate profit, or (c) defray any other items not directly connected with the costs of the Development and payable to unrelated third parties.

7.4. Modification of Organizational Documents: Borrower shall not participate in, suffer or permit the material amendment, modification, restatement, cancellation or termination of any document now or hereafter evidencing Borrower, including, without limitation, the Borrower's Articles of Organization or Operating Agreement, without the prior consent of Lender, which consent will not be unreasonably withheld.

7.5. Limitation on Distributions: Except as otherwise provided herein, and if no Default or Event of Default has occurred and is continuing, Borrower may make distributions of cash or property to its partners or otherwise make distributions on the account of equity interests in the Borrower, provided, however, that no such distribution would (a) cause Borrower to be in default of any covenant contained herein or in the Loan Documents, or (b) cause Borrower's net equity investment in the Development, as determined by Lender, to be less than fifteen percent (15%).

8. ADMINISTRATION OF LOAN: NOTWITHSTANDING ANY LANGUAGE IN THIS AGREEMENT SEEMINGLY TO THE CONTRARY, BORROWER SHALL NOT BE ENTITLED TO ANY DISBURSEMENT OF LOAN PROCEEDS HEREUNDER UNLESS AND UNTIL BORROWER HAS SATISFIED ALL OF THE CONDITIONS OF LENDING SET FORTH THIS AGREEMENT. LENDER SHALL MAKE DISBURSEMENTS UNDER THE LOAN IN THE FOLLOWING MANNER:

8.1. Purpose: The principal sum to be disbursed under the Note shall be used only to pay development costs as shown in the Development Budget (the "Development Costs").

8.2. Compliance with Development Budget: Notwithstanding any language in this Agreement seemingly to the contrary, all disbursements under this Agreement and the Note shall be made in accordance with the Development Budget. Deviations from the Development Budget must be approved in advance in writing by Lender, which approval shall not be unreasonably withheld. The Development Budget will be monitored monthly on a category-by-category basis. If Development Costs in an individual category exceed the amount budgeted therefore (plus ten percent (10%) thereof as contained in the contingency line item) in the Development Budget, then Borrower shall pay from sources other than the Loan the entire excess, unless a budgetary savings in the same or greater amount is realized in a different category as reasonably determined by Lender.

8.3. Request for Funds: Borrower shall deliver to Lender a request for funds (a "Request for Funds") stating the amount of disbursement requested under the Note. The Request for Funds shall be made on the AIA form G702 Application and Certificate for Payment, and as applicable, an AIA form G703 Continuation Sheet and shall be delivered to Lender at least five (5) business days before the requested date of disbursement, properly completed and signed by Borrower's contractor and reviewed by Huitt-Zollars, Inc. (the "Engineer/Inspector"). At the option of Lender, all Requests for Funds shall be supported by copies of bills or statements for all expenses for which a disbursement is requested. Borrower agrees that Lender may disburse automatically from the Loan an amount sufficient to pay each payment of interest required by the Note, on its due date or any date thereafter as Lender may choose, provided that such payment of interest has not been theretofore paid by Borrower.

8.4. Information: The Request for Funds shall be accompanied by:

8.4.1. a Development Budget spreadsheet detailing the requested disbursement and remaining balance to fund;

8.4.2. if Lender requires, a list of Hard Costs, broken down by subcontractor, to be paid from the requested disbursement and copies of all invoices for each Hard Cost item in excess of Five Thousand and No/100 Dollars (\$5,000). "Hard Costs" are all of the costs for the visible improvements, including without limitation grading, excavation, concrete, sidewalks, roads, utilities, and landscaping;

8.4.3. a list of Soft Costs to be paid from the requested disbursement and copies of the invoices for each Soft Cost item in excess of Five Thousand and No/100 Dollars (\$5,000). "Soft Costs" are all costs that are not Hard Costs;

8.4.4. copies of all current and pending change orders (AIA Form G701 or equivalent);

8.4.5. copies of executed conditional lien waivers from the general contractor for the current disbursement. In cases where the general contractor is owned/controlled by the Borrower, conditional lien waivers for the current disbursement are required for each major subcontractor;

8.4.6. copies of executed unconditional lien waivers from the general contractor for previous disbursements. In cases where the general contractor is owned/controlled by the Borrower, unconditional lien waivers for previous disbursements are required for each major subcontractor;

8.4.7. if requested by Lender, a report by the Engineer/Inspector which shall specify the estimated percentage of completion of the Development, together with detailed comments on the specific work performed since the date of the last report rendered to Lender;

8.4.8. an endorsement to the title insurance policy, extending the effective date of the policy to the date of the endorsement, showing no liens of record or additional encumbrances not acceptable to the Lender, and increasing the effective amount of the coverage to the total amount outstanding under the Note;

8.4.9. unless provided with a previous Request for Funds, a copy of the permit applicable to the work covered by the Request for Funds issued by the City of Rio Rancho, New Mexico or other governmental authority; and

8.4.10. Such other information as Lender may reasonably request.

8.5. Lender's Inspection: Lender shall engage the Engineer/Inspector, at Borrower's sole cost and expense, to review each Request for Funds and make an examination of the Development for the benefit of Lender prior to Lender making any advance. Regardless of inspections by the Engineer/Inspector or Lender's representatives, Lender shall have no responsibility, obligation or liability to Borrower or any other individual or entity based on, arising from or relating to any such inspections, and Borrower shall at all times have exclusive control over work on the Development and sole responsibility for compliance with all governmental, quasi-governmental and private laws, ordinances, rules, regulations, codes, covenants, restrictions, easements and other matters which control, burden, apply to or otherwise affect the Mortgaged Property and/or the Development.

8.6. Disbursements: The Lender shall, on the date the requested advance is to be made or as soon thereafter as all conditions precedent to such advance have been satisfactorily met in all material respects, deposit into an account at Lender designated by Borrower such advance. Advances under the Note may, at the option of the Lender, be recorded on the Note and/or by deposits to the foregoing account, and such records shall be conclusive evidence of all advances made under the Note. Notwithstanding the foregoing disbursement procedure, upon the occurrence of an Event of Default (defined below), the Lender may, at its discretion, until such Event of Default is cured or for so long as required by the title company issuing the loan title insurance required hereunder, make disbursements to itself for all sums payable by Borrower to Lender, make disbursements to the appropriate taxing authority to pay all unpaid taxes, make payments directly to insurers for all premiums due on insurance policies required hereunder, and make all other disbursements to a title company escrow account, and such title company will draw checks on such account for payment of the items approved by Lender. Any expense incurred because of the disbursement through a controlled title company escrow account shall be paid by Borrower.

8.7. Development Budget Overrun: In the event the Lender determines, at any time, that the total cost of completing the Development free of liens and encumbrances, other than those in favor of the Lender contemplated hereby will, in the reasonable judgment of the Lender, exceed the available and undisbursed balance of the loan described herein, the Lender may cease making advances and/or require further security for the payment of the indebtedness evidenced by the Note by requiring the Borrower to post additional collateral satisfactory to Lender, and/or by requiring Borrower to make cash deposits with Lender to be held in an account with Lender sufficient in amount to cover such estimated excess cost of completing the Development. For the purpose of this paragraph, the cost of completion shall be deemed to include, without limitation the following: costs of labor and materials, site and off-site improvements, amounts paid to contractors, landscaping, professional fees, taxes on the Mortgaged Property, premiums for bonds, if any, survey costs, appraisal fees, recording costs, interest on the Note, all amounts reimbursable to the Lender for reasonable expenses incurred hereunder, and the costs of all items necessary to the proper completion of the Development.

8.8. Termination of Advances: At the option of the Lender, monthly advances shall not be made unless: (a) the Loan Documents are in full force and effect; and (b) an Event of Default does not exist and would not exist but for the giving of notice or the passage of time under the terms of the Loan Documents.

9. [RESERVED]

10. DEFAULT: The Events of Default listed in the Mortgage are incorporated in this Agreement by reference and made a part of this Agreement and shall constitute “Events of Default” hereunder and under each of the other Loan Documents executed pursuant to this Agreement. In addition, the failure by Guarantor to provide the financial statements required by the Guaranty within thirty (30) days from the date of written notice from Lender or the failure by Guarantor to maintain the net worth required by the Guaranty shall each be an “Event of Default” under this Agreement and under each of the other Loan Documents.

11. REMEDIES: Upon the occurrence of an Event of Default and continuation thereof and the failure by Borrower to cure such Event of Default after such notice of the Event of Default and such opportunity to cure the Event of Default as may be required by the Mortgage, Lender may, at its option:

11.1. Acceleration of the Note: Declare the Note to be immediately due and payable whereupon the Note shall become forthwith due and payable without presentment, demand, protest or further notice of any kind, and the Lender shall be entitled to proceed simultaneously or selectively and successively to enforce its rights under the Note, this Agreement and any of the Loan Documents executed pursuant to the terms hereof, or any note or all of them. Nothing contained herein shall limit Lender’s rights and remedies available under applicable laws.

11.2. Selective Enforcement: In the event the Lender shall elect to selectively and successively enforce its rights under any of the Loan Documents, such action shall not be deemed a waiver or discharge of any other lien, encumbrance or security instrument securing payment of the Note until such time as the Lender shall have been paid in full all sums advanced under the Note. The foreclosure of any lien provided pursuant to this Agreement without the simultaneous foreclosure of all such liens shall not merge the liens granted which are not foreclosed with any interest which the Lender might obtain as a result of such elective and successive foreclosure.

12. GENERAL PROVISIONS: Lender and Borrower further agree as follows:

12.1. Expenses: Borrower agrees to pay all reasonable fees, expenses and charges in respect to the Loan contemplated by this Agreement, including, without limiting the generality thereof, the following: reasonable fees and expenses of counsel employed by Lender in connection with drafting and negotiating documents and closing of the Loan up to \$4,000, plus New Mexico Gross Receipts Tax, and all reasonable fees and expenses of counsel employed by Lender in regard to any litigation arising out of or relating to this transaction in which Lender is the prevailing party; title insurance premiums and all expenses incidental to title insurance and title evidence; recording and filing fees; reasonable fees and expenses of any appraiser who appraises the Mortgaged Property for Lender limited, in the absence of an Event of Default, to not more than twice during the term of the Loan; reasonable fees and expenses of the environmental engineering firm which provides the required environmental assessment report to Lender at the closing of the Loan up to a maximum of two thousand dollars (\$2,000.00) and any environmental assessment report required by federal law; reasonable fees and expenses of the Engineer/Inspector in connection with the construction phase of the Development; and other reasonable fees and expenses involved in the closing of this loan and the reasonable fees and expenses payable by Lender which are incidental to the enforcement or defense of this Agreement or any of the other Loan Documents.

12.2. Notices: Any notices or other communications required or permitted hereunder shall be sufficiently given if delivered personally via a national overnight delivery service or sent by registered or certified mail, postage prepaid, return receipt requested and addressed as listed below or to such other address as the party concerned may substitute by written notice to the other. All notices shall be deemed received: (i) on the date of delivery if personally delivered; (ii) on the day following timely deposit with an overnight delivery service; or (iii) within three (3) days (excluding Saturdays, Sundays and holidays recognized by national banking associations) after being mailed:

To Borrower: Lomas Encantadas Development Company, LLC
333 Rio Rancho Drive, Suite 202
Rio Rancho, New Mexico 87124
Attention: Vice President

To Lender: BOKF, NA dba Bank of Albuquerque
100 Sun Avenue NE, Suite 500
Albuquerque, New Mexico 87109
Attention: Jordan Herrington, Vice President

12.3. Amendment and Waiver: This Agreement may not be amended or modified in any way, except by an instrument in writing executed by both parties hereto; provided, however, Lender may, in writing: (a) extend the time for performance of any of the obligations of Borrower; (b) waive any Event of Default by Borrower; and (c) waive the satisfaction of any condition that is precedent to the performance of Lender's obligations under this Agreement. In the event of Lender's waiver of an Event of Default, such specific Event of Default shall be deemed to have been cured and not continuing, but no such waiver shall extend to any subsequent or other Event of Default or impair any consequence of such subsequent or other Event of Default.

12.4. Non-Waiver; Cumulative Remedies: No failure on the part of Lender to exercise and no delay in exercising any right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise by Lender of any right hereunder preclude any other or further right of exercise thereof. The remedies herein provided are cumulative and not alternative.

12.5. Assignment: Neither this Agreement, nor the loan proceeds hereunder, shall be assignable by Borrower without the prior written consent of Lender.

12.6. Applicable Law: **THIS AGREEMENT AND EACH OTHER LOAN DOCUMENT, AND ALL MATTERS RELATING HERETO OR THERETO OR ARISING THEREFROM (WHETHER SOUNDING IN CONTRACT LAW, TORT LAW OR OTHERWISE), SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW MEXICO, WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES. BORROWER AND LENDER HEREBY CONSENT TO THE JURISDICTION OF ANY STATE OR FEDERAL COURT LOCATED WITHIN THE COUNTY OF SANDOVAL, STATE OF NEW MEXICO, AND IRREVOCABLY AGREE THAT ALL ACTIONS OR PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE OTHER LOAN DOCUMENTS SHALL BE LITIGATED IN SUCH COURTS. BORROWER AND LENDER EXPRESSLY SUBMIT AND CONSENT TO THE JURISDICTION OF THE AFORESAID COURTS AND WAIVE ANY DEFENSE OF FORUM NON CONVENIENS.**

12.7. Descriptive Headings: The descriptive headings of the paragraphs of this Agreement are for convenience only and shall not be used in the construction of the terms hereof.

12.8. Terms: As used in this Agreement the singular shall be deemed to include the plural and the plural shall be deemed to include the singular.

12.9. Integrated Agreement: THIS AGREEMENT AND OTHER LOAN DOCUMENTS EMBODY THE FINAL, ENTIRE AGREEMENT AMONG THE PARTIES HERETO AND SUPERSEDE ANY AND ALL PRIOR COMMITMENTS, AGREEMENTS, REPRESENTATIONS AND UNDERSTANDINGS, WHETHER WRITTEN OR ORAL, RELATING TO THE SUBJECT MATTER HEREOF AND THEREOF AND MAY NOT BE CONTRADICTED OR VARIED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OR DISCUSSIONS OF THE PARTIES HERETO. THERE ARE NO ORAL AGREEMENTS AMONG THE PARTIES HERETO.

12.10. Time of Essence: Time is of the essence of this Agreement.

12.11. Binding Effect: This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors, legal representatives and assigns. The obligations of Borrower under this Agreement are joint and several.

12.12. Third Party Beneficiary: Nothing in this Agreement, express or implied, is intended to confer upon any person other than the parties hereto and their respective successors and assigns, any rights or remedies under or by reason of this Agreement.

12.13. Right to Defend: Lender shall have the right, but not the obligation, at Borrower's expense, to commence, to appear in or to defend any action or proceeding (initiated by a third party against Borrower) purporting to affect the rights or duties of the parties hereunder and in connection therewith pay out of the funds of the Loan all necessary expenses, including reasonable fees of counsel, if Borrower fails to so commence, appear in or defend any such action or proceeding with counsel satisfactory to Lender.

12.14. Indemnification: Borrower agrees to indemnify, defend and hold Lender harmless from and against any loss, cost or expense (including interest, penalties, reasonable attorneys' fees and amounts paid in settlement) caused by Borrower's negligence, breach or wrongful actions arising out of or based upon the Loan Documents or the Loan, except and to the extent caused by Lender's negligence, breach, wrongful actions, gross negligence or willful misconduct.

12.15. Waiver of Jury Trial. **EACH OF BORROWER AND LENDER HEREBY IRREVOCABLY WAIVE ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THE LOAN DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED THEREBY AND AGREE THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY. EACH OF BORROWER AND LENDER ACKNOWLEDGE THAT THIS WAIVER IS A MATERIAL INDUCEMENT TO ENTER INTO A BUSINESS RELATIONSHIP THAT EACH HAS RELIED ON THE WAIVER IN ENTERING INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS, AND THAT EACH SHALL CONTINUE TO RELY ON THIS WAIVER IN THEIR RELATED FUTURE DEALINGS. EACH OF BORROWER AND LENDER WARRANT AND REPRESENT THAT EACH HAS HAD THE OPPORTUNITY OF REVIEWING THIS JURY WAIVER WITH LEGAL COUNSEL, AND THAT EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS.**

12.16. Joint and Several Obligations. If Borrower consists of more than one party, all representations, warranties, covenants, agreements and undertakings of such parties under this Agreement shall be deemed joint and several. Whenever the context requires, the representations, warranties, liabilities, covenants, agreements and undertakings contained in this Agreement shall be deemed to have been individually given by each of the parties constituting Borrower.

13. PARTIAL RELEASES. From time to time, after the recording of the Final Plats (defined below) in the real property records of Sandoval County, New Mexico until the Maturity Date (defined in the Note), Lender shall release one or more Lots (defined below) from the lien of the Mortgage and from the UCC Financing Statement as provided in this Agreement. A request for release (a "Request") must identify the Lot or Lots to be released and be made to Lender not less than five (5) Business Days prior to the requested release date. A "Business Day" is any day in which the Lender is open for business. The release price (the "Release Price") for each Lot shall be Thirty Seven Thousand Five Hundred and No/100 Dollars (\$37,500.00). The Release Price must be delivered to the Lender in immediately available funds no later than 1:00 p.m. New Mexico time on the requested release date. In addition, Borrower has received approval for one or more preliminary plats for the Mortgaged Property from the City of Rio Rancho (the "City"), which plats the Lender has previously reviewed and approved (the "Lender Approved Preliminary Plats") and which will become final plats (the "Final Plats"). Borrower will not materially change the Lender Approved Preliminary Plats without the prior written approval of Lender. Upon substantial completion of the Lots, Borrower shall record one or more final plats (the "Final Plats") for the Mortgaged Property. Each Final Plat may contain land dedicated to the City or other governmental entity. To the extent any Final Plat contains land dedicated, granted or conveyed to a governmental entity, the Lender shall execute a partial release with regard to such land without charge. As used in this Agreement, the term "Lot" means a lot shown on the Lender Approved Preliminary Plats. Notwithstanding anything to the contrary contained in this Agreement or in any of the Loan Documents, Lender shall not be required or obligated to release any Lot or any land to be dedicated to the City of other governmental entity if an Event of Default Exists or would exist but for the giving of notice or the lapse of time. Unless an Event of Default exists or would exist but for the giving of notice of the passage of time, the Release Price shall be applied to the outstanding principal balance of the Note.

14. REAPPRAISAL. If, as determined in Lender's reasonable discretion, there has been a material deterioration in the value of the Mortgaged Property, Lender shall be entitled, at the expense of Borrower, not more frequently than once every twelve (12) months, to obtain a re-appraisal of the Mortgaged Property. If such re-appraisal confirms a material deterioration in the value of the Mortgaged Property compared with the value shown in the previous appraisal on file with Lender, which deterioration causes Borrower to be in violation of any covenants contained in the Loan Documents, Lender may, at Lender's option, require Borrower to make an additional payment of principal sufficient to bring Borrower into compliance with such covenants.

IN WITNESS WHEREOF, the parties have caused this instrument to be duly executed effective as of (but not necessarily on) the day and year first above written.

[SIGNATURES ON NEXT PAGE]

“BORROWER”:

LOMAS ENCANTADAS DEVELOPMENT COMPANY, LLC,
a New Mexico limited liability company

By: /s/ Carey A. Plant
Carey A. Plant, Vice President

“LENDER”:

BOKF, NA dba BANK OF ALBUQUERQUE

By: /s/ Jordan Herrington
Jordan Herrington, Vice President

EXHIBIT "A"
Legal Description

Tract "A-1-A" of the Final Plat of LOMAS ENCANTADAS UNIT 2-C, PHASE 2, A Subdivision of a Portion of Tract A-1 in Lomas Encantadas Unit 2-D, Unit Twenty within Section 26, T. 13 N., R. 3 E., N.M.P.M., City of Rio Rancho, Sandoval County, New Mexico, as the same is shown and designated on the Plat thereof, filed in the office of the County Clerk of Sandoval County, New Mexico on December 6, 2018 in Vol. 3, folio 4325 (Rio Rancho Estates Plat Book No. 28, pages 42-44).

NON-REVOLVING LINE OF CREDIT
PROMISSORY NOTE

\$2,475,000.00

Note # _____

June 17, 2019

Albuquerque, New Mexico

FOR VALUE RECEIVED, the undersigned Lomas Encantadas Development Company, LLC, a New Mexico limited liability company ("Maker"), hereby promises to pay to the order of BOKF, NA dba Bank of Albuquerque ("Lender"), at its office located at 100 Sun Avenue NE, Suite 500, Albuquerque, New Mexico 87109, or at such other place as may be designated in writing by the holder of this Non-Revolving Line of Credit Promissory Note ("Note"), the principal sum of Two Million Four Hundred Seventy-Five Thousand and No/100 Dollars (\$2,475,000.00), or so much thereof as shall be disbursed hereunder, together with interest thereon at the rates specified in this Note, payable as set forth herein.

1. Definitions. As used in this Note, the following terms shall have the meanings indicated for each:

A. "Event of Default" shall have the meaning ascribed to such term in the Mortgage, including without limitation a default in payment or performance under this Note.

B. "Interest Rate" shall mean from and following the closing date, the loan and the other obligations shall bear interest at LIBOR (defined below) plus three hundred (300) basis points, as calculated in accordance with paragraph 5 below. The Interest Rate is not necessarily the lowest rate charged by Lender on its loans. If the Interest Rate becomes unavailable during the term of the Loan, Lender may designate a comparable substitute index after notifying Maker. Notwithstanding any language herein seemingly to the contrary: (a) Maker shall not be obligated to pay in excess of the maximum interest rate permitted by law for any interest payment period; and (b) upon the occurrence of an Event of Default, at the option of the holder of this Note, interest will accrue at the Default Rate of interest hereafter specified.

C. "LIBOR" means a floating rate (expressed to the fifth decimal place) equal to (i) the rate of interest which is identified and normally published by ICE Benchmark Administration for loans in United States dollars for thirty (30) day periods as of 11:00 a.m. (London time), on the first of each month (or if such day is not a business day, the next succeeding business day) plus (ii) the maximum reserve requirement, if any, then imposed under Regulation D of the Board of Governors of the Federal Reserve System (or any successor thereto) for "Eurocurrency Liabilities" (as defined therein); provided, however, that if LIBOR determined as provided above shall be less than zero, LIBOR shall be deemed to be zero for the purposes of this Agreement. Any change in LIBOR is effective on the first day of each month. If ICE Benchmark Administration no longer reports the LIBOR or Lender determines in good faith that the rate so reported no longer accurately reflects the rate available to Lender in the London Interbank Market or if such index no longer exists or accurately reflects the rate available to Lender in the London Interbank Market, Lender may select a comparable replacement index. Lender will notify Maker in writing, within 10 days of the selection of a comparable replacement index, such notification will include, the effective date of the replacement index, the new interest rate, and the new monthly payment.

D. “Loan” shall mean the loan evidenced by this Note.

E. “Loan Agreement” shall mean the certain Development Loan Agreement dated the same date as this Note, between Lender and Maker and pursuant to which this Note is executed.

F. “Maturity Date” shall mean June 17, 2022, or such earlier date on which the entire unpaid principal balance of this Note shall be paid or required to be paid in full, whether by prepayment, acceleration or otherwise.

G. “Mortgage” shall mean the Mortgage, Security Agreement and Financing Statement dated the same day as this Note made by Maker in favor of Lender securing, among other things, the indebtedness evidenced by this Note.

2. Draw Note. This Note evidences a loan that may be advanced in more than one advance during the term of this Note. This Note does not evidence a revolving line of credit. Maker acknowledges and agrees that it does not have the right under this Note to borrow, pay and re-borrow the loan proceeds. The loan evidenced by this Note shall be disbursed in accordance with the provisions of the Loan Agreement.

3. Payments. Maker shall make monthly payments of interest only on the seventeenth (17th) day of each month beginning on July 17, 2019, and continuing on the seventeenth (17th) day of each month thereafter through and including May 17, 2022. On the Maturity Date, Maker shall make one final payment of all accrued and unpaid principal and interest and any other unpaid sums. Upon the occurrence of an Event of Default, at the option of the holder of this Note, interest shall accrue at the Default Rate. IN NO EVENT SHALL THE SUM TOTAL OF ALL ADVANCES ON THE NOTE EXCEED THE FACE AMOUNT OF THE NOTE.

In addition, Maker shall make the following required principal payments (the “Curtailed Payments”) to Lender: (i) Nine Hundred Thousand and No/100 Dollars (\$900,000.00), on or before March 17, 2021; (ii) Three Hundred Thousand and No/100 Dollars (\$300,00.00) on or before June 17, 2021; (iii) Three Hundred Thousand and No/100 Dollars (\$300,000.00) on or before September 17, 2021; (iv) Two Hundred Sixty Two Thousand Five Hundred and No/100 Dollars (\$262,500.00) on or before December 17, 2021; (v) Five Hundred Twenty-Five Thousand and No/100 Dollars (\$525,000.00) on or before March 17, 2022; and (vi) One Hundred Eighty Seven Thousand Five Hundred and No/100 Dollars (\$187,500.00) on or before the Maturity Date. Payments of the Release Price (defined in the Loan Agreement) to Lender shall be credited towards the Curtailed Payments.

4. Loan Origination Fee. On the date this Note is signed, Maker will pay to Lender a loan origination fee of Twelve Thousand Three Hundred Seventy Five and No/100s Dollars (\$12,375.00).

5. Computation of Interest and Related Fees. Interest due under this Note shall be calculated on the unpaid principal to the date of each installment paid, and each payment of principal and/or interest made hereunder shall be credited first to the discharge of interest, and the balance shall be credited to the unpaid principal sum. All payments of interest shall be computed on the per annum basis of a year consisting of three hundred sixty (360) days and for the actual number of days elapsed (including the first day, but excluding the last if payment is received by the holder of this Note by 1:00 p.m. New Mexico time). In addition to any other means of payment, Maker shall have the right to make payments by wire transfer or ACH directly to Lender. Within ten (10) days after written request by Maker, Lender shall provide wiring and ACH instructions to Maker for all payments due pursuant to the Loan.

6. Default Interest. Subject to the notice and cure provisions contained in the Mortgage, while any Event of Default exists in the making of any of the payments herein provided to be made, or in the performance or observance of any of the terms, covenants or conditions of the Loan Agreement, this Note, the Mortgage or of any instrument now or hereafter securing payment of the indebtedness evidenced by this Note, at the option of the holder of this Note, in its sole discretion, the entire unpaid principal balance hereof shall bear interest at the rate per annum equal to the applicable interest rate, adjusted as of the date of any change therein, plus five percent (5%) per annum (the "Default Rate"). Notwithstanding the foregoing, if Lender determines pursuant to paragraph 15.6 of the Mortgage, that the Loan evidenced by this Note is required to be classified as high volatility commercial real estate, then the Interest Rate will be increased as provided in paragraph 15.6 of the Mortgage. During the existence of any such Event of Default, the holder of this Note may apply payments received on any amounts due hereunder, or under the terms of any instrument now or hereafter evidencing or amounts due hereunder, or under the terms of any instrument now or hereafter evidencing or securing such indebtedness, as the holder may determine, and if the holder of this Note so elects, notice of election being expressly waived, the principal hereof remaining unpaid, together with accrued interest, shall at once become due and payable. Any and all additional interest that has accrued at the rate provided in this paragraph shall be due and payable at the time of, and as a condition precedent to, the curing of any Event of Default.

7. Late Fees. Subject to the notice and cure provisions contained in the Mortgage, to the extent any principal and interest due under this Note is not paid within fifteen (15) calendar days of the due date therefore, and, to the extent that the following described fee is deemed to constitute interest, subject to paragraph 9 of this Note, in addition to any interest or other fees and charges due hereunder or under this Note, Maker shall pay a late fee equal to the lesser of: (a) five percent (5%) of the amount of the payment that was to have been made; or (ii) \$400.00. Maker agrees that the charges set forth herein are reasonable compensation to Lender for the acceptance and handling of such late payments.

8. Currency. All sums called for, payable, or to be paid hereunder shall be paid in lawful money of the United States of America, which, at the time of payment, is legal tender for the payment of public and private debts therein.

9. Pre-Payment. This Note may be prepaid in whole or in part without penalty upon not less than two (2) business days' advance written notice to the holder of this Note.

10. Interest Savings Clause. All agreements between Maker and the holder of this Note are expressly limited so that in no event whatsoever, whether by reason of disbursement of the proceeds hereof or otherwise, shall the amount of interest or loan finance charge contracted for, charged or received by the holder of this Note exceed the highest lawful contractual rate of interest or the maximum finance charge permissible under applicable federal or state law which a court of competent jurisdiction, by final non-appealable order, determines to be applicable hereto. It is the intention of Maker and the holder of this Note to conform strictly to applicable usury laws from time to time in force, and all agreements between Maker and the holder of this Note, whether now existing or hereafter arising and whether oral or written, are hereby expressly limited so that in no contingency or event whatsoever, whether by acceleration of the maturity hereof or otherwise, shall the amount paid or agreed to be paid to the holder of this Note, or collected by the holder of this Note, for the use, forbearance or detention of the money to be loaned hereunder or otherwise, or for the payment or performance of any covenant or obligation contained herein or in the Mortgage or in any other document evidencing, securing or pertaining to the indebtedness evidenced hereby, exceed the maximum amount permissible under applicable usury laws. If under any circumstances whatsoever fulfillment of any provisions hereof or of the Mortgage or any other document evidencing, securing or pertaining to the indebtedness evidenced hereby, at the time performance of such provision shall be due, shall involve transcending the limit of validity prescribed or permitted by law, including judicial determination, then ipso facto, the obligation to be fulfilled shall be reduced to the limit of such validity; and if under any circumstances the holder of this Note hereby shall ever receive an amount deemed interest by applicable law which would exceed the highest lawful rate, such amount that would be excessive interest under applicable usury laws shall be applied to the reduction of the principal amount owing hereunder or to other indebtedness secured by the Mortgage and not to the payment of interest, or if such excessive interest exceeds the unpaid balance of principal and other indebtedness, the excess shall be deemed to have been a payment made by mistake and shall be refunded to Maker or to any other person entitled thereto. All sums contracted for, charged or received by the holder of this Note for the use, forbearance or detention of the indebtedness of Maker evidenced hereby, outstanding from time to time shall, to the extent permitted by applicable law, be amortized, pro-rated, allocated and spread from the date of disbursement of the proceeds of this Note until payment in full of such indebtedness so that the actual rate of interest on account of such indebtedness is uniform through the term hereof. The terms and provisions of this paragraph shall control and supersede every other provision of all agreements between the holder of this Note and Maker and any endorser or guarantor of this Note.

11. Governing Law. Payment of this Note is secured, without limitation, by the Mortgage, which covers real and personal property located in Rio Rancho, New Mexico. **THIS NOTE AND EACH OTHER LOAN DOCUMENT (AS DEFINED IN THE LOAN AGREEMENT), AND ALL MATTERS RELATING HERETO OR THERETO OR ARISING THEREFROM (WHETHER SOUNDING IN CONTRACT LAW, TORT LAW OR OTHERWISE), SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW MEXICO, WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES. MAKER HEREBY CONSENTS TO THE JURISDICTION OF ANY STATE OR FEDERAL COURT LOCATED WITHIN THE COUNTY OF SANDOVAL, STATE OF NEW MEXICO, AND IRREVOCABLY AGREES THAT, SUBJECT TO LENDER'S ELECTION, ALL ACTIONS OR PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE OTHER RELATED DOCUMENTS SHALL BE LITIGATED IN SUCH COURTS. MAKER EXPRESSLY SUBMITS AND CONSENTS TO THE JURISDICTION OF THE AFORESAID COURTS AND WAIVES ANY DEFENSE OF FORUM NON CONVENIENS.**

12. Remedies. Subject to the notice and cure provisions contained in the Mortgage, upon the occurrence or existence of any Event of Default, the holder hereof may, without further notice, declare the entire unpaid principal balance of this Note and all unpaid, accrued interest on this Note and all other obligations of the Maker to the holder of this Note, whether direct or indirect, absolute or contingent, now existing or hereafter arising, immediately due and payable, without further notice or demand, and the Maker shall pay all such sums and other obligations. Further, upon the occurrence or existence of any such Event of Default, the holder of this Note shall be entitled to exercise any or all remedies provided or referenced in this Note, the Loan Agreement, the Mortgage or any other instrument or agreement evidencing, securing or relating to the indebtedness evidenced by this Note and any other rights and remedies under state or federal law. Failure to exercise any such rights and remedies upon any Event of Default shall not constitute a waiver of any rights in the event of any subsequent Event of Default. If this Note is placed in the hands of an attorney for collection or if collected through the probate court, bankruptcy court, or by any other legal or judicial proceedings, the Maker agrees and is obligated to pay, in addition to the sums referred to above, the reasonable attorneys' fees of the holder of this Note, together with all court costs and other reasonable expenses paid by such holder.

13. Waiver. The Maker, endorsers, sureties, guarantors and all other parties who may become liable for all or any part of this Note severally waive demand, presentment, notice of dishonor, protest, notice of protest, notice of nonpayment, notice of intent to accelerate, notice of acceleration of the maturity of this Note and consent to: (a) any and all extensions of time for any term or terms regarding any payment due under this Note, including partial payments or renewals before or after maturity; (b) changes in interest rates as provided in this Note; (c) any substitutions or release of collateral; and (d) the addition, substitution or release of any party liable for payment of this Note.

14. Miscellaneous. All notices provided for herein shall be given in accordance with the provisions of the Loan Agreement.

A. [Intentionally Omitted].

B. This Note is given to evidence an obligation incurred for business purposes and not for personal, single family residential or agricultural purposes.

C. This Note may not be terminated orally, but only by a discharge in writing and signed by the party who is the owner and holder of this Note at the time enforcement of any discharge is sought.

D. MAKER HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THE RELATED DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED THEREBY AND AGREES THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY. MAKER ACKNOWLEDGES THAT THIS WAIVER IS A MATERIAL INDUCEMENT TO ENTER INTO A BUSINESS RELATIONSHIP, THAT LENDER HAS RELIED ON THE WAIVER IN ENTERING INTO THIS AGREEMENT AND THE OTHER RELATED DOCUMENTS, AND THAT LENDER WILL CONTINUE TO RELY ON THIS WAIVER IN THEIR RELATED FUTURE DEALINGS. MAKER WARRANTS AND REPRESENTS THAT MAKER HAS HAD THE OPPORTUNITY OF REVIEWING THIS JURY WAIVER WITH LEGAL COUNSEL, AND THAT MAKER KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS.

[SIGNATURE ON NEXT PAGE]

Signed and delivered effective as of (but not necessarily on) the date set forth above.

“MAKER”

LOMAS ENCANTADAS DEVELOPMENT COMPANY, LLC,
a New Mexico limited liability company

By: /s/ Carey A. Plant
Carey A. Plant, Vice President

MORTGAGE, SECURITY AGREEMENT
AND FINANCING STATEMENT

THIS MORTGAGE, SECURITY AGREEMENT AND FINANCING STATEMENT IS A
LINE OF CREDIT MORTGAGE AS PROVIDED IN NMSA 1978 §48-7-4.B.

THIS MORTGAGE, SECURITY AGREEMENT AND FINANCING STATEMENT ("Mortgage") is made effective as of the 17th day of June, 2019, by and between Lomas Encantadas Development Company, LLC, a New Mexico limited liability company ("Mortgagor"), having its mailing address at 333 Rio Rancho Drive, Suite 401, Rio Rancho, New Mexico 87124, for the benefit of BOKF, NA dba Bank of Albuquerque ("Mortgagee"), having an office and mailing address at 100 Sun Avenue NE, Suite 500, Albuquerque, New Mexico 87109, with reference to the following:

(a) Mortgagor is the owner of the fee simple interest in the certain real estate (the "Land") situated in Sandoval County, New Mexico, which is described on Exhibit "A" attached to this Mortgage and incorporated herein by reference as if fully set forth herein.

(b) Mortgagor, as Borrower, is indebted to Mortgagee, as Lender, as evidenced by a promissory note in the principal sum of \$2,475,000.00 (the "Note"). In connection with the loan evidenced by the Note (the "Loan"), Mortgagor and Mortgagee intend to enter into a Loan Agreement (the "Loan Agreement").

(c) The Note provides that, during an Event of Default thereunder or after the maturity thereof, the entire unpaid principal balance shall bear interest at the rate per annum equal to the lower of the highest rate permitted by applicable law or five percent (5%) per annum in excess of the interest rate otherwise applicable to the unpaid principal balance of the Note (the "Default Rate").

(d) By means of this Mortgage, Mortgagor will secure to Mortgagee the payment of the Note, the payment of all other monies secured by this Mortgage or advanced under this Mortgage, and the performance of Mortgagor's obligations under the Loan Agreement and this Mortgage, or future advances now or hereafter made by Mortgagee under the Loan Documents.

NOW, THEREFORE, to secure to the Mortgagee the payment of the Secured Indebtedness, as defined herein, **UP TO A MAXIMUM AMOUNT AT ANY GIVEN TIME OF ONE HUNDRED FIFTY PERCENT (150%) OF THE FACE AMOUNT OF THE NOTE**, and the performance of the covenants, agreements and promises contained in the Loan Documents (defined in the Loan Agreement), and for other good and valuable consideration, the receipt and legal sufficiency of which are hereby acknowledged, Mortgagor does hereby give, transfer, grant, bargain and mortgage, pledge, set over, hypothecate and assign to Mortgagee, with mortgage covenants and upon the statutory mortgage condition for breach of which this Mortgage may be foreclosed as provided by law, and grant a security interest unto the Mortgagee, in and to all of the following whether now or hereafter acquired by Mortgagor:

(a) The Land, together with all and singular the easements, rights-of-way, tenements, hereditaments and appurtenances now or hereafter belonging, relating or appertaining thereto, and all the estate, right title and interest of Mortgagor in and to the roads, streets, ways and alleys public and/or private adjoining or adjacent to the same and any land laying in the bed of any street, road, avenue, lane or right-of-way in front of, adjoining or adjacent to the same, including ingress and egress easements, but specifically excluding any and all water, mineral rights, water rights and mineral rights (collectively the "Real Property");

(b) All improvements, and appurtenances now and hereafter located, constructed, erected, installed, affixed, placed and/or maintained in or upon the Real Property or any part thereof, together with all accessions, additions, replacements and substitutions or alterations therefor;

(c) To the extent owned by Mortgagor, all fixtures, goods, and goods to become fixtures, now or hereafter attached to or installed on the Real Property, or the improvements now or hereafter constructed thereon, or which are deemed to be fixtures to the Real Property, or the improvements now or hereafter constructed thereon, under the laws of the State of New Mexico, all chattels and tangible personal property which are attached to, installed, placed or used on, or which arise out of the development, improvement, operation or use of the Real Property, the improvements, the fixtures or other items located on the Real Property, together with all additions, accessions and accessories thereto and proceeds thereof, and substitutions, renewals and replacements therefor, and all other chattels and tangible personal property and all renewals or replacements of or substitutions for any of the foregoing, and all proceeds of all of the foregoing described collateral;

(d) To the extent owned by Mortgagor, all general intangibles used in connection with or relating to the improvements located on the Real Property, all accounts, contract rights, documents of title, and chattel paper, relating thereto and all permits, approvals, licenses, franchises, certificates and similar documents relating to the Real Property and/or the use and/or development thereof, all contracts, leasing and/or renting labor, goods, equipment and/or services, service and/or maintenance agreements, management contracts, marketing contracts, architects' contracts engineers' contracts, other professional contracts, brokers' contracts, construction contracts and other contracts and agreements relating to the Real Property and/or development thereof, all mortgage and/or financing commitments relating to the Real Property, or any part thereof, all warranties, guaranties and bonds, all surveys, soil and substrata studies, other studies of every type, architectural renderings, site plans, engineering plans and studies, floor plans, landscape plans and other plans, drawings, blueprints, plans, specifications, data, reports, tests, studies, appraisals and like documents relating to all or any part of the Real Property and/or the development thereof, and other rights and privileges obtained in connection with the Real Property and the improvements thereon;

(e) All purchase contracts relating to the Real Property, or any part thereof, and all rents, issues and profits which may hereafter become due under or by virtue of any lease or rental contract, written or verbal, or any letting of, or any agreement for the use of the improvements located on the Real Property.

(f) To the extent owned by Mortgagor, all judgments and awards (and all proceeds thereof and other rights with respect thereto) made or to be made with respect to any of the Real Property and improvements thereon, under or in connection with any power of eminent domain;

(g) To the extent owned by Mortgagor, all rights to collect and receive any insurance proceeds or other sums payable as or for damages to any of the improvements and tangible personal property located on the Real Property, for any reason or by virtue of any occurrence;

(h) All betterments, accessions, additions, appurtenances, substitutions and revisions relating to any of the foregoing;

(i) Mortgagor's rights in existing and future agreements between the Mortgagor and any third party that relate to any of the foregoing;

(j) All rights and entitlements to develop the Real Property granted by any governmental or quasi-governmental authority; and

(k) Mortgagor's rights in all other things and additional rights of any nature, of value or convenience in the enjoyment, development, operation or production, in any wise, of any property or interest included in any of the foregoing clauses, all prepaid accounts and utility deposits, and all revenues, income, rents, issues, profits and other benefits arising therefrom or from any contract now in existence or hereafter entered into pertaining thereto, and all rights, title and interest appurtenant thereto.

All of the tangible and intangible personal property described in this Mortgage is hereinafter sometimes collectively referred to as the "Collateral." All of the above-described Real Property, improvements, fixtures, Collateral and other property are hereinafter collectively referred to as the "Mortgaged Property," and are hereby declared to be subject to the liens of this Mortgage notwithstanding the executing and/or filing of any financing statements covering or describing any part or portion thereof.

TO HAVE AND TO HOLD the Mortgaged Property, with all appurtenances thereunto belonging, to the Mortgagee, its successors and assigns forever.

This Mortgage is executed, acknowledged and delivered to secure payment and performance of the following described indebtedness and obligations of Mortgagor in such order of priority as Mortgagee may determine: (i) all principal, interest, after-default interest, charges and fees due under the Note, the original of which is maintained at the office of the Mortgagee, and the terms and provisions of which are incorporated herein by reference as if fully set forth herein, together with any and all extensions, renewals, modifications, rearrangements, consolidations, substitutions and changes in form thereof; and (ii) any and all future advances which may be made to Mortgagor by Mortgagee under the Note; and (iii) any and all sums which Mortgagee may expend in accordance with this Mortgage or become obligated to expend, at Mortgagee's option, to cure any Event of Default of Mortgagor under this Mortgage, together with interest on all sums from the respective dates which Mortgagee may expend or become obligated to expend at the Default Rate; and (iv) any and all amounts which Mortgagee may reasonably expend in accordance with this Mortgage or become obligated to expend in collecting the indebtedness secured hereby or the rents assigned to Mortgagee, in foreclosing the lien of this Mortgage, in exercising any remedy provided herein, in preserving or protecting any of the Mortgaged Property, or in pursuing or exercising any right or remedy hereunder or with respect hereto consequent upon any default of the Mortgagor hereunder, including, but not limited to reasonable attorneys' fees, court costs, abstracting expenses, receivers' fees, appraisers' fees, watchmen's fees, storage fees and other expenses reasonably incurred to protect and preserve the Mortgaged Property or in maintaining the priority of this Mortgage or in retaking, holding, preparing for sale or selling the Collateral, together with interest on all such sums from the respective date which the Mortgagee may expend at the Default Rate or the highest rate permitted by law, whichever is less, and (v) all representations, warranties, covenants and agreements of Mortgagor contained in the Loan Agreement, the Note, this Mortgage, and/or any other documents evidencing, securing or relating to the Secured Indebtedness, together with any and all supplements, renewals, modifications and amendments thereof (collectively, the "Loan Documents") (all of the above-described indebtedness and obligations are hereinafter collectively referred to as the "Secured Indebtedness").

This Mortgage is made subject to the following covenants, conditions and agreements:

1. WARRANTY OF TITLE. Mortgagor represents, covenants and warrants that Mortgagor owns fee simple title to the Mortgaged Property, that Mortgagor has good right to sell, convey and mortgage the same, that the Mortgaged Property is free, clear and discharged of all general and special taxes, liens, charges and encumbrances of every kind and character except for: (i) deposits to secure payment of worker's compensation, unemployment insurance and other similar benefits; (ii) liens for property taxes not yet due; (iii) statutory liens, against which there are established reserves in accordance with generally accepted accounting principles, and which arise in the ordinary course of business and secure obligations of Mortgagor which are not yet due and not in default; (iv) encumbrances in favor of Mortgagee; (v) easements to utility providers and municipalities typically granted in connection with developments similar to the Project; (vi) matters reflected in the policy of title insurance; and (vii) other matters approved by Mortgagee, including without limitation those matters approved by Mortgagee in Section 7.1 of the Loan Agreement (collectively, "Permitted Liens"), and that Mortgagor hereby warrants and will forever defend the title to the Mortgaged Property, other than the Permitted Liens, against the claims of all persons whomsoever.

2. PAYMENT OF SECURED INDEBTEDNESS. Mortgagor covenants and agrees to pay all of the Secured Indebtedness and each separate item or installment thereof as and when the same shall become due and payable, whether by extension, acceleration or otherwise. If the Mortgagor pays and discharges all amounts of outstanding principal and accrued interest due and payable under the Secured Indebtedness then in that event only, this Mortgage shall be and become null and void and discharged of record.

3. PRESERVATION AND MAINTENANCE OF MORTGAGED PROPERTY. With respect to the Mortgaged Property, Mortgagor covenants and agrees to keep, or cause to be kept, the same in good condition and repair, ordinary wear and tear excepted; subject to the provisions of the Loan Agreement, to pay, or cause to be paid, all taxes and assessments and other charges that may be levied or assessed upon the Mortgaged Property when they become due and payable; to pay, or cause to be paid, all debts for repair or improvements, now existing or hereafter arising, that may become liens upon or charges against the same; subject to the provisions of the Loan Agreement, to comply with or cause to be complied with all requirements of any governmental authority relating to the Mortgaged Property; and, subject to paragraph 4 of this Mortgage, to repair, restore, replace or rebuild promptly any part of the Mortgaged Property which may be damaged by any casualty whatsoever or which may be affected by any condemnation proceeding or the exercise of eminent domain. Mortgagor further covenants and agrees that the Mortgagor will not do or permit to be done anything which will impair or weaken the security of this Mortgage; nor initiate, join in, or consent to any change in any private restrictive covenant, zoning ordinance, or other public or private restrictions limiting or defining the uses which may be made of the Mortgaged Property or any part thereof except as allowed under Sections 7.1 and 13 of the Loan Agreement and as may be necessary to obtain the Final Plat (defined in the Loan Agreement) in each case other than the Permitted Liens. Except for a second lien for the benefit of an entity affiliated with Mortgagor, Mortgagor further covenants and agrees not to create, permit or suffer to exist any mortgage, security interest, lien or encumbrances of any kind or character to accrue or remain on the Mortgaged Property or any part thereof, without the prior written consent of Mortgagee, in each case other than Permitted Liens or as permitted pursuant to the Loan Agreement.

4. INSURANCE. Mortgagor will keep all property useful and necessary in its business in good working order and condition, ordinary wear and tear excepted. Mortgagor covenants and agrees to deposit with Mortgagee and to maintain throughout the term of the Note, original policies of insurance, issued by insurance companies reasonably satisfactory to Mortgagee, for the following: (1) commencing with the commencement of construction of the improvements, builder's risk insurance (in an amount equal to the full replacement cost) on the improvements being constructed on the Real Property until Substantial Completion (as defined in the contract for construction) of such improvements; and (2) public liability and property damage insurance covering the Mortgaged Property in an amount approved from time to time by Mortgagee, which on the date hereof is combined single limits coverage of not less than \$2,000,000.00. All deductibles, coinsurance provisions, exceptions to coverage and policy forms must be acceptable to Mortgagee in its reasonable discretion. The Mortgagor further covenants and agrees that, regardless of the types or amounts of insurance required and approved by the Mortgagee, Mortgagor will cause the Mortgagee to be named as an additional insured in all policies of liability insurance, and the Mortgagor will assign and deliver to the Mortgagee all policies of insurance which insure against any loss or damage to the Mortgaged Property, as collateral and further security for the Secured Indebtedness, which policies shall contain a mortgage clause in favor of Mortgagee and in form, scope and substance acceptable to Mortgagee. Mortgagor further covenants and agrees that not less than thirty (30) days prior to the expiration dates of each policy required pursuant to this paragraphs, Mortgagor will deliver to the Mortgagee a renewal policy or policies marked "premium paid" or accompanied by other evidence of payment satisfactory to the Mortgagee.

5. TAXES. Mortgagor hereby agrees to pay and discharge, or cause the payment of, all general and special taxes, assessments, impositions and charges of every nature whatsoever that may be imposed, levied, or assessed upon or against the Mortgaged Property as they become due and payable and to furnish to Mortgagee receipts showing payment of any such taxes and assessments if and as often as demanded by Mortgagee, provided however, Mortgagor will not be required to pay and discharge any such tax, assessment, imposition or charge so long as: (a) the legality of the same shall be contested in good faith by appropriate proceedings; and (b) Mortgagor shall have established on Mortgagor's books adequate reserves with respect to such tax, assessment, imposition or charge contested in accordance with income tax based accounting standards. Mortgagor hereby further agrees to pay any and all taxes which may be levied or assessed directly or indirectly upon the Secured Indebtedness and this Mortgage, to the extent allowed by applicable law. The additional amounts which may become due and payable hereunder shall be part of the Secured Indebtedness.

6. CONDEMNATION. The Mortgagor covenants and agrees that if at any time all or any portion of the Mortgaged Property shall be taken or damaged under the power of eminent domain, the award received by condemnation proceedings for any property so taken or any payment received in lieu of such condemnation proceedings, including, but not limited to, any awards for any change of grade of streets affecting or abutting the Mortgaged Property shall be paid directly to the Mortgagee and applied to the principal balance of the Loan; provided that, all of such award or payment, provided no Event of Default is in existence, shall be paid over, wholly or in part, to the Mortgagor for the purpose of altering, restoring or rebuilding any part of the Mortgaged Property which may have been altered, damaged or destroyed as a result of any such taking or damage, or for any other purpose or object satisfactory to Mortgagee; *provided, however*, that the Mortgagee shall not be obligated to see to the application of any amount paid over to the Mortgagor.

7. CONTRACTS, FRANCHISES AND LICENSES. The Mortgagor shall comply in all material respects with and observe all of Mortgagor's obligations under all material contracts, franchises and licenses necessary or desirable for the continuation of the business conducted with respect to the Mortgaged Property.

8. INSPECTIONS. The Mortgagee and its agents and representatives shall have the right from time to time to make or cause to be made reasonable entries upon and inspections of the Mortgaged Property, without cost to the Mortgagee, upon at least three business days prior written notice delivered from Mortgagee to Mortgagor; provided that, Mortgagee shall be liable to Mortgagor for any and all claims, damages, and losses, including without limitation court costs and reasonable attorney's fees (collectively "Losses") caused by or resulting from, either directly or indirectly, Mortgagee's entry upon or inspection of the Mortgaged Property.

9. USE AND CONDITION OF MORTGAGED PROPERTY. The Mortgagor covenants and agrees to neither permit nor suffer the Mortgaged Property to be used for any purpose prohibited by any present and future laws, ordinances, rules and regulations of all applicable governmental authorities. The Mortgagor further covenants and agrees that it shall at all times keep, or cause to be kept, the Mortgaged Property and all buildings, fixtures and other improvements thereon in compliance in all material respects with all present and future applicable laws, ordinances, rules and regulations of all applicable governmental authorities.

10. SECURITY AGREEMENT AND FINANCING STATEMENT. This Mortgage shall also constitute, and shall be construed as, a security agreement and as a financing statement with respect to the Collateral, notwithstanding the execution and filing of additional financing statements covering the same Collateral.

10.1. The Mortgagor shall from time to time, within fifteen (15) days after request by Mortgagee, execute, acknowledge and deliver any Financing Statement, Renewal Affidavit, Certificate, Continuation Statement, Inventory or other similar documents as the Mortgagee may reasonably request in order to protect, preserve, continue, extend or maintain the security interest granted in this Mortgage and shall, upon demand, pay any and all reasonable expenses incurred by the Mortgagee in the preparation, execution and filing of any such documents.

10.2. A carbon, photographic, photocopy or other reproduction of this Mortgage will constitute a financing statement and Mortgagor consents to the filing thereof as a financing Statement.

11. INTENTIONALLY DELETED.

12. SALE, TRANSFER; FORM OF BUSINESS ASSOCIATION. Except as may be expressly permitted under the Loan Agreement, Mortgagor covenants and agrees not to sell, transfer, convey, alienate, assign or voluntarily or involuntarily permit or suffer the Mortgaged Property, or any part thereof, to be sold, transferred, assigned, alienated, or conveyed without the prior written consent of Mortgagee, which consent may be given or withheld by the Mortgagee in its sole and absolute subjective discretion, and further the Mortgagor covenants and agrees, except as expressly permitted in the Loan Agreement, not to change or alter the composition, form of business association or ownership of the Mortgagor without in each instance obtaining prior written consent of the Mortgagee, which consent may be given or withheld by the Mortgagee in its sole and absolute subjective discretion; *provided, however,* that such written consent by Mortgagee to one sale or transfer of the Mortgaged Property or to one change in the composition, form of business association or ownership of the Mortgagor shall not imply consent by Mortgagee to any other or subsequent sale, transfer, conveyance, alienation, or assignment of the Mortgaged Property or to any other or subsequent change in the composition, form of business association or ownership of the Mortgagor, and the provisions hereof shall apply to each and every sale, transfer, conveyance, alienation or assignment or change in the composition, form of business association or ownership of the Mortgagor thereof regardless of whether or not the Mortgagee has consented to or waived its rights hereunder whether by action or nonaction in connection with any previous sale, transfer, conveyance, alienation or assignment or change in the composition, form of business association or ownership of the Mortgagor, whether one or more.

13. ENCUMBRANCES. Except for a second lien for the benefit of an entity affiliated with Mortgagor, the Mortgagor covenants and agrees that it shall not mortgage, pledge, grant a security interest in or otherwise encumber the Mortgaged Property or any part thereof, or voluntarily or involuntarily permit or suffer the Mortgaged Property, or any part thereof, to be mortgaged, pledged or encumbered, without the prior written consent of Mortgagee, which consent may be given or withheld by the Mortgagee in its sole discretion, except for Permitted Liens.

14. EVENTS OF DEFAULT. The Mortgagor shall be in default under this Mortgage during the occurrence of any of the following events or conditions (collectively, "Events of Default" and individually, "Event of Default"):

14.1. Default in payment when due of any interest on or principal of the Note that continues for ten (10) days after the date of written notice from Mortgagee requiring payment; or

14.2. Default in payment when due of the Secured Indebtedness (other than payment when due of any interest on or principal of the Note) or any part or installment thereof as and when the same becomes due and payable, whether by acceleration, extension or otherwise, that continues for thirty (30) days after the date of written notice from Mortgagee requiring payment; or

14.3. Default by Mortgagor in the performance or observance of any covenant contained in this Mortgage or any other Loan Document, including without limitation, any representation, warranty, statement, certificate, schedule or report made or furnished to Mortgagee by Mortgagor which proves to be false or erroneous in any material respect at the time of making hereof, that continues for thirty (30) days after the date of notice from Mortgagee requiring payment; provided that, if such default requires longer than thirty (30) days to cure and the Mortgagor commences such cure within thirty (30) days and is diligently pursuing said cure, Mortgagor shall have a period not to exceed one hundred twenty (120) days to complete said cure; or

14.4. Upon the institution of any foreclosure proceeding by the holder of any mortgage or lien upon all or substantially all of the Mortgaged Property (*provided, however*, this event of default shall not constitute or be construed as Mortgagee's consent to or approval of the existence or imposition of any mortgage or lien upon the Mortgaged Property); or

14.5. Mortgagor or any Guarantor (as defined in the Guaranty Agreement of even date herewith between Mortgagor and AMREP Southwest, Inc.) is adjudicated insolvent or makes an assignment for the benefit of creditors, provided, however, as to any Guarantor, only until the Guaranty terminates pursuant to its terms; or

14.6. Mortgagor or any Guarantor files any voluntary petition in bankruptcy or is adjudged bankrupt or insolvent, or an order for relief is entered as to Mortgagor or Guarantor in any bankruptcy or reorganization proceeding or Mortgagor or any Guarantor voluntarily petitions or applies to any court or tribunal for any receiver, trustee, conservator or liquidator for its property or affairs, or Mortgagor or any Guarantor indicates by any act its consent to, approval of or acquiescence in any such bankruptcy, insolvency or reorganization proceeding, application or petition, provided, however, as to any Guarantor, only until the Guaranty terminates pursuant to its terms; or

14.7. A receiver, trustee, conservator or liquidator is appointed for Mortgagor or any Guarantor or for any part of the property or affairs of Mortgagor or any Guarantor or any proceeding is commenced relating to Mortgagor or any Guarantor under by bankruptcy, insolvency, reorganization, arrangement, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction, whether now or hereafter in effect, or a third person commences any such proceeding, files a petition or makes such application, provided, however, as to any Guarantor, only until the Guaranty terminates pursuant to its terms; or

14.8. Any levy, seizure, execution, replevin or attachment is issued or commenced against all or substantially all of the Mortgaged Property; or

14.9. Any sale, transfer, conveyance, alienation or assignment occurs in violation of this Mortgage, and continues for thirty (30) days after the date of written notice from Mortgagee; or

14.10. Any mortgage, pledge, security interest or other encumbrance occurs in violation of this Mortgage, and continues for thirty (30) days after the date of written notice from Mortgagee; or

14.11. The dissolution of any Guarantor of the Note.

15. REMEDIES. During the occurrence of any of the Events of Default listed in paragraph 14 of this Mortgage and the failure by Mortgagor to cure such Event of Default after such notice and opportunity to cure the Event of Default as may be required under the terms of this Mortgage or the Note, this Mortgage or any of the other Loan Documents, the Mortgagee shall have the following remedies in addition to all other remedies provided in this Mortgage or otherwise provided by law:

15.1. Foreclosure and Redemption Period. Mortgagee shall be entitled to declare the whole amount of the Secured Indebtedness immediately due and payable without notice, and Mortgagee may then proceed by suit or suits in equity or at law to foreclosure this Mortgage pursuant to the laws of the State of New Mexico. **If this Mortgage is foreclosed, the redemption period after judicial sale shall be one (1) month in lieu of nine (9) months.** In the event of a judicial sale hereunder, Mortgagee may become the purchaser of the Mortgaged Property, or any part thereof. In the event of foreclosure, Mortgagee shall be entitled to the appointment of a receiver without regard to the solvency of Mortgagor or the value of the Mortgaged Property.

15.2. Foreclosure of Security Interest. In addition to all other remedies described or referenced in this Mortgage, the Mortgagee, at its sole subjective discretion, may have all or any part of the Collateral combined with the Real Property covered hereby and sold together with such Real Property as an entirety at any foreclosure sale, or the Mortgagee, at its option, may proceed solely or separately against the Collateral or any part thereof and have the same sold separately as provided by the Uniform Commercial Code of the State of New Mexico, either in one parcel or in such parcels, manner or order as the Mortgagee, in its sole subjective discretion, may elect; the Mortgagee shall have the right to take immediate and exclusive possession of the Collateral or any part thereof and for that purpose may, with or without judicial process, enter upon any premises on which the Collateral or any part thereof may be situated and remove the same therefrom; the Mortgagee shall be entitled to hold, maintain, preserve and prepare the Collateral for sale until disposed of, or may propose to retain the Collateral subject to Mortgagor's right of redemption in partial or total satisfaction of the Mortgagor's obligations as provided in the Uniform Commercial Code of the State of New Mexico; Mortgagee without removal may render the Collateral unusable and dispose of the Collateral on the Mortgagor's premises; Mortgagee may require the Mortgagor to assemble the Collateral and make it available to Mortgagee for its possession at a place to be designated by Mortgagee which is reasonably convenient to both parties; unless the Collateral is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, the Mortgagee shall give the Mortgagor at least ten (10) days' notice of the time and place of any public sale of any Collateral or of the time after which any private sale or other intended disposition thereof is to be made, by United States registered or certified mail, postage prepaid, addressed to the Mortgagor at the address provided in this Mortgage, which provisions for notice the Mortgagor and Mortgagee agree are reasonable; Mortgagee may buy all or part of the Collateral at any public sale, and if the Collateral is of a type which is subject to widely distributed standard price quotations, Mortgagee may buy at private sale; and further, the Mortgagee shall have all of the rights and remedies of a Secured Party under the Uniform Commercial Code of the State of New Mexico. The Mortgagee shall be entitled to exercise any and all other rights and remedies available by applicable laws and judicial decisions.

15.3. Attorneys' Fees and Costs. The losing party agrees to pay and reimburse the prevailing party for all reasonable attorneys' fees, costs and expenses paid or incurred by the prevailing party in any legal action, proceeding or other dispute of any kind in which Mortgagee is made a party or appears as a party plaintiff or defendant, involving the Loan Agreement, the Note, this Mortgage, the Assignment or the Mortgaged Property, including, but not limited to, the foreclosure or other enforcement of the Note or this Mortgage, any condemnation action, any action to protect Mortgagee's security or liens and/or any action in bankruptcy or probate.

15.4. Remedies Cumulative, Concurrent and Nonexclusive. The Mortgagee shall have all rights, remedies and recourses granted in the Loan Documents and available at law or equity (including specifically those granted by the Uniform Commercial Code in effect and applicable to the Mortgaged Property or any portion thereof), and same (a) shall be cumulative and concurrent, (b) may be pursued separately, successively or concurrently against the Mortgagor or others obligated under the Note, or against the Mortgaged Property, or against any one or more of them, at the sole discretion of the Mortgagee, (c) may be exercised as often as occasion therefor shall arise, it being agreed by the Mortgagor that the exercise or failure to exercise any of same shall in no event be construed as a waiver or release thereof or of any other right, remedy or recourse, and (d) are intended to be, and shall be, nonexclusive.

15.5. No Waiver. In the event the Mortgagee shall elect to selectively and successfully enforce its rights under this Mortgage or any other documents or instruments securing payment of the Secured Indebtedness, such action shall not be deemed a waiver or discharge of any other lien, encumbrance or security interest securing payment of the Note until such time as the Mortgagee shall have been paid in full all sums advanced under the Note. The foreclosure of any lien provided pursuant to this Mortgage without the simultaneous foreclosure of all such liens shall not merge the liens granted which are not foreclosed with any interest which the Mortgagee might obtain as a result of such selective and successive foreclosure.

15.6. High Volatility Commercial Real Estate. If at any time, in the determination of the Mortgagee, the net equity or capital retention of the Mortgagor would require Mortgagee to classify the Mortgaged Property as High Volatility Commercial Real Estate as set forth in Part 217 of Chapter II of title 12 of the Code of Federal Regulations, then within ten (10) days after written demand being issued by the Mortgagee, Mortgagor shall take such actions as may be necessary, including obtaining adequate equity infusion, such that the Mortgaged Property need not be classified as High Volatility Commercial Real Estate. If the Mortgagor fails to take such action, it shall not be an Event of Default, and Mortgagee, as Mortgagee's sole right and remedy, may increase the interest rate on the Loan by 0.85 percent as of the eleventh (11th) day after such notice and demand is issued.

16. SALE OF PARCELS. In case of any sale under this Mortgage, by virtue of judicial proceedings or otherwise, the Mortgaged Property may be sold in one parcel and as an entirety or in such parcels, manner or order as the Mortgagee in its sole discretion may elect.

17. SUBROGATION. If the money loaned or advanced by Mortgagee and secured hereby shall be used to pay off or discharge any mortgage, lien or encumbrance upon or against the Mortgaged Property, the Mortgagee, at its option, will be subrogated to all such mortgages, liens or encumbrances so discharged, satisfied or paid, even though the same may be released of record, and to all the rights of the person or persons to whom such payments have been made, and may immediately enforce the same against the Mortgagor and the Mortgaged Property.

18. INDULGENCES, EXTENSIONS AND RELEASES. It is understood and agreed that at any time and from time to time, either with or without any consideration, and without notice to any person and without the consent or approval of any person or persons, and without in any manner affecting the liability of the Mortgagor or any guarantors, sureties, endorsers, or any other persons liable for the payment of the Secured Indebtedness together with interest and any other sums which may be due and payable to Mortgagee, and without in any manner affecting, disturbing or impairing in any manner whatsoever the validity and priority of the lien of this Mortgage upon that portion of the Mortgaged Property which is unreleased, and also without in any manner affecting or impairing to any extent whatsoever any and all other collateral security which may be held by Mortgagee, the Mortgagee may at its sole subjective discretion:

18.1. Grant to the Mortgagor any indulgence, forbearance or any extension of time for the payment of any of the Secured Indebtedness, and may agree to a modification in the terms of the Note and this Mortgage; and

18.2. Allow any change, addition or substitution of or for any of the property described in this Mortgage or other collateral which may be held by Mortgagee; and

18.3. Release or otherwise deal with all or any portion of the Mortgaged Property or any other real or personal property or portion thereof which may be held by Mortgagee as security for the payment of the Secured Indebtedness; and/or

18.4. Release the Mortgagor or any guarantors, sureties, endorsers or any other persons now or hereafter liable for the payment of all or any part of the Secured Indebtedness or liable for the performance of any obligations;

None of the foregoing will impair or affect the lien of this Mortgage or the priority of such lien over any subordinate lien covering the Mortgaged Property. Further, any agreement or stipulation between any subsequent owner or owners of the Mortgaged Property and the Mortgagee which extends the time of payment or which modifies the terms of the Note or this Mortgage, without Mortgagee first having obtained the consent of the Mortgagor, shall not constitute a release of Mortgagor or any guarantors, sureties, endorsers or any other persons liable for payment of the Secured Indebtedness, and the Mortgagor and all such other persons shall continue liable to make such payments according to the terms of any such agreement or extension or modification unless expressly released and discharged in writing by the Mortgagee.

19. NO WAIVERS. Any failure by the Mortgagee to insist upon the strict performance by the Mortgagor of any of the terms and provisions of this Mortgage shall not be deemed to be a waiver of any of the terms and provisions of this Mortgage, and the Mortgagee, notwithstanding any such failure, shall have the right thereafter to insist upon the strict performance by the Mortgagor of any and all of the terms and provisions of this Mortgage to be performed by the Mortgagor. Further, no delay by Mortgagee in exercising any of its rights or remedies hereunder, or otherwise afforded by law, shall operate as a waiver thereof or preclude the exercise thereof during the continuance of any default hereunder.

20. DEMANDS FOR FORECLOSURE. Neither the Mortgagor nor any other person now or hereafter obligated for the payment of the whole or any part of the Secured Indebtedness secured by this Mortgage shall be relieved of such obligation by reason of the failure of the Mortgagee to comply with any request of the Mortgagor or of any other person so obligated to take action to foreclose this Mortgage or otherwise enforce any of the provisions of this Mortgage or of any obligations secured by this Mortgage.

21. OTHER SECURITY. If the payment of the Secured Indebtedness is now or hereafter further secured by assignments of leases, or rentals, security agreements, financing statements, mortgages, collateral assignments, pledges, contracts of guaranty, or other additional security documents, any default under the provisions of any such further security documents shall constitute and be a default under this Mortgage, and the Mortgagee may, at its option, exhaust its remedies under any one or more of the said security documents and the security thereunder, as well as the Mortgaged Property, either concurrently or independently and in such order and manner as the Mortgagee may elect, and Mortgagee may apply the proceeds received therefrom upon the Secured Indebtedness without waiving or affecting Mortgagee's rights and remedies under this Mortgage or exercised hereunder or whether contained or exercised under any other such security documents.

22. CHANGE OF OWNERSHIP. If ownership of the Mortgaged Property or any portion thereof becomes vested in a person or persons other than the Mortgagor, the Mortgagee may deal with such successor or successors in interest with reference to this Mortgage and the Secured Indebtedness in the same manner as with the Mortgagor, *provided, however*, except as provided in the Loan Agreement, nothing contained in this paragraph shall constitute or be construed as Mortgagee's consent to or approval of any change in ownership of the Mortgaged Property or any part thereof

23. PAYMENT BY OTHERS. Any payment made by any person at any time liable for the payment of the whole or any part of the Secured Indebtedness or by any person whose interest in the Mortgaged Property might be prejudiced in the event of a failure to make such payment, or by any stockholder, officer or director of a corporation or any partner of a partnership or trustee or beneficial owner of a trust which at any time might be liable for such payment or might own an interest in the Mortgaged Property, will be deemed, as between the Mortgagee and all persons who at any time might be liable as aforesaid or might own an interest in the Mortgaged Property, to have been made on behalf of the Mortgagor.

24. NOTICES. Every provision for notice pursuant to this Mortgage shall be given in accordance with the notice provisions of the Loan Agreement.

25. RELATIONSHIP OF THE PARTIES. This Mortgage is given as an incident to a lending transaction between Mortgagee and Mortgagor, and in no event shall the Mortgagee be construed or held to be a partner, joint venturer or associate of the Mortgagor in the conduct of the business of Mortgagor on or about the Mortgaged Property or otherwise, nor shall Mortgagee be liable for any debts or obligations incurred by Mortgagor in the conduct of such business, it being understood and agreed that the relationship of the parties is and at all times shall remain that of Mortgagee and Mortgagor.

26. GOVERNING LAW. THIS MORTGAGE AND THE LOAN DOCUMENTS, AND ALL MATTERS RELATING HERETO OR THERETO OR ARISING THEREFROM (WHETHER SOUNDING IN CONTRACT LAW, TORT LAW OR OTHERWISE), SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW MEXICO, WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES. MORTGAGOR HEREBY CONSENTS TO THE JURISDICTION OF ANY STATE OR FEDERAL COURT LOCATED WITHIN THE COUNTY OF SANDOVAL, STATE OF NEW MEXICO AND IRREVOCABLY AGREES THAT ALL ACTIONS OR PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE OTHER LOAN DOCUMENTS SHALL BE LITIGATED IN SUCH COURTS. MORTGAGOR EXPRESSLY SUBMITS AND CONSENTS TO THE JURISDICTION OF THE AFORESAID COURTS AND WAIVES ANY DEFENSE OF FORUM NON CONVENIENS.

27. CUMULATIVE REMEDIES. The rights of the Mortgagee arising under the representations, warranties, covenants and agreements contained in this Mortgage shall be separate, distinct and cumulative and none of them shall be in exclusion of the others; and no act of the Mortgagee shall be construed as an election to proceed under any one provision herein to the exclusion of any other provisions, anything herein or otherwise to the contrary notwithstanding.

28. CONSTRUCTION. The paragraph headings and captions contained in this Mortgage are included for convenience only and shall not be construed or considered a part of this Mortgage or affect in any manner the construction or interpretation of this Mortgage. Whenever used in this Mortgage, the singular will include the plural, the plural the singular, and the use of any gender will be applicable to all genders.

29. SEVERABILITY. If any covenant or agreement in this Mortgage is invalid or void for any reason, such invalid or void covenant or agreement shall not affect the whole of this Mortgage, and the balance of the covenants and agreements of this Assignment shall remain in full force and effect.

30. AMENDMENT. This Mortgage cannot be changed, modified or amended except by an agreement in writing, signed by the party against whom enforcement of the change is sought and in recordable form.

31. BINDING EFFECT. All of the covenants, conditions and agreements contained in this Mortgage shall run with the land and shall bind the Mortgagor, and the respective successors and assigns of the Mortgagor, and shall inure to the benefit of the Mortgagee and its successors and assigns.

32. CONSTRUCTION MORTGAGE. This Mortgage secures indebtedness incurred by Mortgagor in connection with the construction of improvements on the Mortgaged Property. Accordingly, this Mortgage constitutes a "construction mortgage" under applicable provisions of the Uniform Commercial Code.

33. LIMITATION OF INDEMNITY. To the extent, if at all, 56-7-1 NMSA 1978, as amended, is applicable, any agreement to indemnify, hold harmless, insure or defend another party contained herein or in any related documents will not extend to liability, claims, damages, losses or expenses, including attorneys' fees, arising out of bodily injury to persons or damage to property caused by or resulting from, in whole or in part, the negligent act or omission of any indemnitee, its officers, employees or agents.

IN WITNESS WHEREOF, the Mortgagor has caused this Mortgage to be executed and delivered on the day and year first above written.

[SIGNATURE ON NEXT PAGE]

“MORTGAGOR”

LOMAS ENCANTADAS DEVELOPMENT COMPANY, LLC,
a New Mexico limited liability company

By: /s/ Carey A. Plant
Carey A. Plant, Vice President

STATE OF NEW MEXICO

COUNTY OF SANDOVAL

This instrument was acknowledged before me on June 17, 2019, by Carey A. Plant, Vice President of Lomas Encantadas Development Company, a New Mexico limited liability company.

/s/ Debra J. Torrez
Notary Public

My Commission Expires:

March 28, 2022

EXHIBIT A
Legal Description

Tract "A-1-A" of the Final Plat of LOMAS ENCANTADAS UNIT 2-C, PHASE 2, A Subdivision of a Portion of Tract A-1 in Lomas Encantadas Unit 2-D, Unit Twenty within Section 26, T. 13 N., R. 3 E., N.M.P.M., City of Rio Rancho, Sandoval County, New Mexico, as the same is shown and designated on the Plat thereof, filed in the office of the County Clerk of Sandoval County, New Mexico on December 6, 2018 in Vol. 3, folio 4325 (Rio Rancho Estates Plat Book No. 28, pages 42-44).

GUARANTY AGREEMENT

THIS GUARANTY AGREEMENT (the "Guaranty") is made by AMREP Southwest, Inc., a New Mexico corporation (the "Guarantor"), to and for the benefit of BOKF, NA dba Bank of Albuquerque (the "Lender"), with reference to the following:

1. Recitals. The following Recitals apply to this Guaranty.

A. Lender and Lomas Encantadas Development Company, LLC, a New Mexico limited liability company, are parties to a Development Loan Agreement dated the same day as this Guaranty (the "Loan Agreement"), under the terms of which Lender agreed to lend to Borrower, and Borrower agreed to borrow from Lender, up to the principal amount of \$2,475,000.00 for the purposes set forth in the Loan Agreement (the "Loan").

B. Pursuant to the Loan Agreement, Borrower has signed and delivered to Lender a Non-Revolving Line of Credit Promissory Note dated the same day as this Guaranty in the original principal amount of \$2,475,000.00 (the "Note").

C. The Note is secured by, among other things, a Mortgage, Security Agreement and Financing Statement dated the same day as this Guaranty made by Borrower in favor of Lender (the "Mortgage").

D. Guarantor's execution of this Guaranty is one of the conditions precedent to Lender's obligations under the Loan Agreement.

2. Guaranty. Guarantor hereby absolutely, irrevocably and unconditionally guarantees to Lender the performance and payment when due (whether at a stated maturity or earlier by reason of acceleration or otherwise or at any other time required by any of the Loan Documents) of all liabilities and obligations now or hereafter owing by Borrower to Lender under the Note and the other Loan Documents (defined in the Loan Agreement), including, without limitation, principal, interest, late charges, after-default interest, reasonable attorneys' fees and collection costs, and all other liabilities and obligations of Borrower to Lender under the Note and the other Loan Documents (all of the foregoing being hereinafter referred to as the "Guaranteed Obligations"). Notwithstanding anything else contained in this Guaranty, the "Guaranteed Obligations" do not include the HSIA (as defined in the Loan Agreement) or any liabilities or obligations thereunder. Guarantor agrees that Guarantor's liability under this Guaranty will be primary and direct, and that Lender will not be required to pursue any right or remedy it may have against Borrower under the Note or otherwise (and will not be required to first commence any action or obtain any judgment against Borrower or against property of Borrower in which Lender holds a security interest) before enforcing this Guaranty against Guarantor.

3. Continuing Guaranty. This Guaranty is an absolute, unconditional and continuing guaranty of performance and payment of the Guaranteed Obligations. No notice of the Guaranteed Obligations to which this Guaranty may apply, or of any renewal, modification, consolidation, replacement, extension or amendment thereof, need be given to Guarantor and none of the foregoing acts will release Guarantor from liability hereunder. Guarantor hereby expressly waives: (a) demand for payment or performance, presentment, protest, notice of dishonor, nonpayment or nonperformance on any and all forms of the Guaranteed Obligations; (b) notice of acceptance of this Guaranty and notice of any liability to which it may apply; (c) all other notices and demands of any kind and description relating to the Guaranteed Obligations now or hereafter provided for by any statute, law, rule or regulation; (d) any and all rights or defenses arising by reason of election of remedies by Lender that destroys or otherwise adversely affects Guarantor's subrogation rights or Guarantor's rights to proceed against Borrower for reimbursement, including, without limitation, loss of rights Guarantor may suffer by reason of any law limiting, qualifying or discharging the Guaranteed Obligations; (e) any disability or other defense of Borrower of any other guarantor, or of any other person, or by reason of the cessation of Borrower's liability from any cause whatsoever, other than payment in full in legal tender of the Guaranteed Obligations; (f) any right to claim discharge of the Guaranteed Obligations on the basis of impairment of any collateral for the Guaranteed Obligations; (g) any defenses given to Guarantor by any failure, neglect or omission by Lender to perfect in any manner the collection of the Guaranteed Obligations or the security given therefor, including the failure or omission to seek a deficiency judgment against Borrower; and (h) any and all other defenses of Borrower pertaining to the Guaranteed Obligations, including any Borrower counterclaim or claim of recoupment or setoff except the defense of discharge by payment. Guarantor will not be exonerated with respect to Guarantor's liability under this Guaranty by any act or thing except payment or performance of the Guaranteed Obligations. Guarantor warrants and agrees that each of the waivers set forth above is made with Guarantor's full knowledge of its significance and consequences and that, under the circumstances, the waivers are reasonable and not contrary to public policy or law. If such waiver is determined to be contrary to any applicable law or public policy, such waiver will be effective only to the extent permitted by law or public policy. Without limiting the generality of the foregoing, Guarantor waives any setoff or offset rights that Guarantor might otherwise have under applicable law, as amended from time to time (or under any corresponding present or future rule of law in any jurisdiction) by reason of any release of fewer than all persons who have guaranteed performance of the Guaranteed Obligations.

4. Other Transactions. Lender is expressly authorized: (a) to exchange, surrender or release with or without consideration any or all collateral and security that may at any time be placed with it by Borrower or by any other person, or to forward or deliver any or all such collateral and security directly to Borrower for collection and remittance or for credit, or to collect the same in any other manner without notice to Guarantor; (b) to amend, modify, extend or supplement the Note, or other agreement with respect to the Guaranteed Obligations, to waive compliance by Borrower with the respective terms thereof and to settle or compromise any of the Guaranteed Obligations without notice to Guarantor and without in any manner affecting the absolute liability of Guarantor hereunder; and (c) to assign from time to time all or any part of Lender's interest in the Note, this Guaranty and all other Loan Documents. The liability of Guarantor hereunder will not be affected or impaired by any failure, neglect or omission on the part of Lender to realize upon any of the Guaranteed Obligations of Borrower to Lender, or upon any collateral or security for any or all of the Guaranteed Obligations, nor by the taking by Lender of (or the failure to take) any other guaranty or guaranties to secure the Guaranteed Obligations, nor by the taking by Lender of (or the failure to take or the failure to perfect its security in) collateral or security of any kind. Guarantor acknowledges that this Guaranty is in effect and binding as to the Guarantor without reference to whether this Guaranty is signed by any other person or persons, and agrees that as to Guarantor, this Guaranty will continue in full force and effect, both as to the Guaranteed Obligations then existing and/or thereafter created, notwithstanding the release of or extension of time to any other guarantor of the Guaranteed Obligations or any part thereof.

5. Release and Waiver of Rights Against the Borrower. UNTIL THE GUARANTEED OBLIGATIONS ARE PAID IN FULL, GUARANTOR HEREBY WAIVES AND RELINQUISHES ANY RIGHT OF REIMBURSEMENT, SUBROGATION, INDEMNIFICATION OR OTHER RECOURSE OR CLAIM, WHETHER CONTINGENT OR MATURED, WHICH GUARANTOR MAY HAVE AGAINST BORROWER. IT IS THE EXPRESS INTENT OF GUARANTOR AND LENDER TO ELIMINATE ANY DEBTOR/CREDITOR RELATIONSHIP BETWEEN BORROWER AND GUARANTOR. GUARANTOR HEREBY EXPRESSLY RELEASES AND WAIVES ANY AND ALL PRESENT AND FUTURE RIGHTS AS CREDITOR OF BORROWER IN ALL RESPECTS, BUT NOT ANY RIGHTS GUARANTOR HAS AS A MEMBER OR MANAGER OF BORROWER.

6. Application of Payments. Any and all payments upon the Guaranteed Obligations made by Guarantor or by any other person, and/or the proceeds of any or all collateral or security for any of the Guaranteed Obligations may be applied by Lender on such items of the Guaranteed Obligations as Lender may elect.

7. Guarantor's Warranties. Guarantor warrants and represents to Lender that this Guaranty has been duly executed and delivered by Guarantor and constitutes a legal, valid and binding obligation of Guarantor, enforceable in accordance with its terms, except as enforcement may be limited by applicable bankruptcy, insolvency, moratorium and other laws affecting creditors' rights generally. Guarantor warrants to the Lender that Guarantor has a direct and substantial economic interest in the Borrower, and that Guarantor expects to derive benefits from transactions resulting in the creation of the Guaranteed Obligations. Lender may rely conclusively on a continuing warranty hereby made, that Guarantor continues to be benefited by Lender's extension of credit to Borrower and Lender will have no duty to inquire into or confirm the receipt of any such benefits, and this Guaranty will be effective and enforceable by Lender without regard to the receipt, nature or value of any such benefits.

8. Termination of Guaranty. Subject to paragraph 11 of this Guaranty, this Guaranty will terminate on the date on which all of the Guaranteed Obligations have been performed in full, all in accordance with the provisions of the Note and any other documents evidencing or securing payment of the Loan.

9. Recovery of Payment. If any payment received by Lender from Borrower or any other obligor and applied to the Guaranteed Obligations is subsequently set aside, recovered, rescinded or required to be returned for any reason (including, without limitation, the bankruptcy, insolvency or reorganization of Borrower or any other obligor), the Guaranteed Obligations to which such payment was applied will for the purposes of this Guaranty be deemed to have continued in existence, notwithstanding such application, and this Guaranty will be enforceable against Guarantor as to such Guaranteed Obligations as fully as if such application had never been made.

10. New Promise. Any acknowledgement or new promise, whether supported by payment of principal or interest or otherwise and whether made by Borrower or others (including Guarantor) with respect to any of the Guaranteed Obligations will, if the statute of limitations in favor of Guarantor against Lender will have commenced to run, toll the running of such statute of limitations and, if the period of such statute of limitations will have expired, prevent the operation of such statute of limitations with respect to such promise.

11. Discharge. Until termination of this Guaranty as provided in paragraph 8 of this Guaranty, the obligations of Guarantor under this Guaranty will not be released, in whole or in part, by reason of any waiver, extension, modification, forbearance or delay or other act or omission of Lender or its failure to proceed promptly or otherwise, or by reason of any action taken or omitted by Lender whether or not such action or failure to act varies or increases the risk of, or affects the rights or remedies of Guarantor, nor will any modification of any of the obligations of Borrower or the release of any security therefor by operation of law or by the action of any third party affect in any way the obligations of Guarantor under this Guaranty, and Guarantor hereby expressly waives and surrenders any defense to Guarantor's liability hereunder based upon any of the foregoing acts, omissions, things, agreements or waivers or any of them, it being the purpose and intent of the parties hereto that the Guaranteed Obligations of Borrower constitute the direct and primary obligations of Guarantor and that the covenants, agreements and all obligations of Guarantor hereunder be absolute, unconditional and irrevocable.

12. Remedies. All remedies afforded to Lender by reason of this Guaranty are separate and cumulative remedies and it is agreed that no one of such remedies, whether or not exercised by Lender, will be deemed to be in exclusion of any of the other remedies available to Lender and will in no way limit or prejudice any other legal or equitable remedy that Lender may have hereunder and with respect to the Guaranteed Obligations. Guarantor agrees that, included within the equitable remedies available to Lender hereunder is the right of Lender to elect to have any and all of the obligations and agreements of Guarantor hereunder specifically performed.

13. Judicial Actions. Guarantor hereby waives any and all right to cause a marshaling of the assets of Borrower or any other action by any court or other governmental body with respect thereto, or to cause Lender to proceed against any security for the Guaranteed Obligations or any other recourse that Lender may have with respect thereto or to set off the value of any such security, and further waive any and all requirements that Lender institute any action or proceeding at law or in equity against Borrower or anyone else, or with respect to the Note, or any collateral security therefor, as a condition precedent to making demand on or bringing an action or obtaining and/or enforcing a judgment against, Guarantor upon this Guaranty. Guarantor further waives any requirement that Lender seek performance by Borrower or any other person, of any obligation under the Note, or any collateral security therefor as a condition precedent to making a demand on, or bringing any action or obtaining and/or enforcing a judgment against, Guarantor upon this Guaranty, it being agreed that upon the occurrence of an event of default and acceleration of the Guaranteed Obligations, the obligations of Guarantor under this Guaranty will without further act mature immediately and automatically, without further notice or demand or any other action by Lender. Guarantor further acknowledges that time is of the essence with respect to Guarantor's obligations under this Guaranty. Any remedy or right hereby granted that will be found to be unenforceable as to any person or under any circumstance, for any reason, will in no way limit or prevent the enforcement of such remedy or right as to any other person or circumstances, nor will such unenforceability limit or prevent enforcement of any other remedy or right hereby granted.

14. Bankruptcy of Borrower. Guarantor expressly agrees that Guarantor's liability and obligations under this Guaranty will not in any way be affected by the institution by or against Borrower or any other person or entity of any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or any other similar proceedings for relief under any bankruptcy law or similar law for the relief of debtors and that any discharge of any of the Guaranteed Obligations pursuant to any such bankruptcy or similar law or other law will not discharge or otherwise affect in any way the liabilities and obligations of Guarantor under this Guaranty, and that upon the institution of any of the above actions, at the sole discretion of Lender, such liabilities and obligations will be enforceable against Guarantor.

15. Miscellaneous.

A. Guarantor agrees to reimburse Lender upon demand for all reasonable out-of-pocket expenses (including reasonable attorneys' fees and legal expenses) incurred by Lender arising out of or in connection with any failure of Guarantor to fully and timely perform Guarantor's liabilities and obligations hereunder. In the event of litigation with respect to this Guaranty, the prevailing party will be entitled to recover its reasonable attorneys' fees and costs.

B. No delay on the part of Lender in the exercise of any power or right will operate as a waiver thereof, nor will any single or partial exercise of any power or right preclude other or further exercise thereof or the exercise of any other power or right.

C. No invalidity, irregularity or unenforceability of all or any part of the Guaranteed Obligations or of any security therefor or other recourse with respect thereto will affect, impair or be a defense to this Guaranty, and this Guaranty is a primary obligation of Guarantor.

D. All notices, demands and requests or other communication to be sent by one party to the other hereunder or required by law will be in writing and will be deemed to have been validly made, given, served and received if given or served by delivery of same in person to the addressee or by depositing same with Federal Express or other nationally recognized overnight courier service for next business day delivery or by depositing same in the United States mail, postage prepaid, registered or certified mail, return receipt requested, addressed as follows:

Guarantor: AMREP Southwest, Inc.
333 Rio Rancho Drive, Suite 202
Rio Rancho, New Mexico 87124
Attn: President

Lender: BOKF, NA dba Bank of Albuquerque
100 Sun Avenue NE, Suite 500
Albuquerque, New Mexico 87109
Attn: Jordan Herrington, Vice President

All notices, demands and requests will be effective upon such personal delivery or upon being deposited with Federal Express or other nationally recognized overnight air courier or in the United States mail as required above. However, with respect to notices, demands or requests so deposited with an overnight air courier service or in the United States mail, the time period in which a response to any such notice, demand or request must be given will commence to run from the next business day following any such deposit with an overnight air courier service or, in the case of a deposit in the United States mail as provided above, the date on the return receipt of the notice, demand or request reflecting the date of delivery or rejection of the same by the addressee thereof. Rejection or other refusal to accept or the inability to deliver because of changed address of which no notice was given will be deemed to be receipt of the notice, demand or request sent. By giving to the other party hereto at least five (5) days' written notice thereof in accordance with the provisions hereof, the parties hereto will have the right from time to time to change their respective addresses and each will have the right to specify as its address any other address within the United States of America.

E. THIS GUARANTY AND ALL MATTERS RELATING HERETO OR THERETO OR ARISING THEREFROM (WHETHER SOUNDING IN CONTRACT LAW, TORT LAW OR OTHERWISE), SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW MEXICO, WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES. GUARANTOR HEREBY CONSENTS TO THE JURISDICTION OF ANY STATE OR FEDERAL COURT LOCATED WITHIN THE COUNTY OF SANDOVAL, STATE OF NEW MEXICO, AND IRREVOCABLY AGREES THAT ALL ACTIONS OR PROCEEDINGS ARISING OUT OF OR RELATING TO THIS GUARANTY OR THE OTHER LOAN DOCUMENTS SHALL BE LITIGATED IN SUCH COURTS. GUARANTOR EXPRESSLY SUBMITS AND CONSENTS TO THE JURISDICTION OF THE AFORESAID COURTS AND WAIVES ANY DEFENSE OF FORUM NON CONVENIENS.

F. Guarantor shall maintain a minimum net worth equal to or greater than \$32,000,000.00 measured annually and determined by review of the financial information required to be provided to Lender by the terms of this Guaranty. Guarantor will provide to Lender: (a) Guarantor's annual unaudited and without footnotes financial statement within one hundred twenty (120) days of fiscal year end; and (b) Guarantor's quarterly unaudited and without footnotes financial statements within sixty (60) days of each quarter end, beginning with the quarter ending October 31, 2019. All financial information provided to Lender will be in form and content acceptable to Lender in its discretion.

G. Financial Condition: The financial statements, information and materials of Guarantor heretofore delivered to Lender fairly and accurately present in all material respects Guarantor's consolidated financial condition (including its assets and liabilities) as of the date or dates thereof (subject, in the case of the interim financial statements, to normal year-end adjustments and the absence of notes), and there have been no material adverse changes in Guarantor's financial condition or operations since the date or dates thereof. Guarantor does not currently have material guarantee obligations, contingent liabilities and liabilities for taxes, or any long-term leases or unusual forward or long-term commitments, which are not reflected in the most recent financial statements, information and materials referred to in this section.

H. Paragraph headings herein are for convenience only and will not be deemed part of this Guaranty.

I. The provisions and covenants of this Guaranty shall be binding upon Guarantor, and shall inure to the benefit of Lender, subsequent holders of this Guaranty, and their respective successors and assigns. For the purpose of this Guaranty, the term "Guarantor" shall mean all persons named as Guarantor and their successors and assigns. All representations, warranties, covenants, agreements and undertakings of Guarantor hereunder shall be deemed joint and several.

J. For the purposes of this Guaranty, all defined terms contained in this Guaranty shall be construed, whenever the context of this Guaranty so requires, so that the singular shall be construed as the plural and so that the masculine, feminine and neuter shall be construed as the plural and so that the masculine, feminine and neuter shall be construed interchangeably as circumstances require.

[SIGNATURE ON NEXT PAGE]

Dated Effective: June 17, 2019.

AMREP SOUTHWEST, INC.,
a New Mexico corporation

By: /s/ Carey A. Plant
Carey A. Plant, Vice President
