

ARTICLE IVCOVENANTS, REPRESENTATIONS AND WARRANTIES OF GRANTOR

Section 4.1. Warranty of Title; Authority. Grantor warrants that, subject to Permitted Encumbrances, it has a good and marketable title to an indefeasible fee estate in the Land subject to no lien, charge or encumbrance; that it owns the existing improvements thereon and existing items of Furnishings and Equipment and that it will renovate, expand, acquire and construct, and thereafter maintain the remainder of the Project, free and clear in all cases of liens and claims, except as aforesaid, and that this Agreement is and will remain a valid and enforceable first lien on the Mortgaged Property subject only to the exceptions referred to above. Grantor further warrants that it has full power and lawful authority to mortgage the Mortgaged Property in the manner and form herein done or intended hereafter to be done. Grantor will preserve such title except as may otherwise be permitted herein, and will forever warrant and defend the validity and priority of the lien hereof against the claim of all persons and parties whomsoever.

Section 4.2. Leases. Grantor hereby represents that there are no leases, subleases, or agreements to lease or sublease all or any part of the Mortgaged Property now in effect. Grantor hereby agrees not to lease or allow or suffer to be leased or subleased any space in the Mortgaged Property from and after the date hereof without the prior written consent of Grantee, whose prior written approval of all tenants, subtenants and leases and subleases shall be required, which consent and approval shall not be unreasonably withheld. Any or all of such leases and subleases shall be subordinate to the lien of this Agreement.

Section 4.3. No Liens. Grantor shall not create or cause or permit to exist any lien on or security interest in the Mortgaged Property, including any furniture, fixtures, appliances, equipment or other items of personal property which are intended to be or become a part of the Mortgaged Property, except for a second mortgage lien in favor of First National Bank of South Carolina securing a Term Loan (the "Term Loan") (a copy of which is attached hereto as Exhibit C and made a part hereof) in the maximum amount of \$200,000,