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**SUBORDINATION AGREEMENT**

This Subordination Agreement is made in Chicago, Illinois, as of November 8, 2002 (the "Closing Date"), by and among the City of Chicago, an Illinois municipal corporation (the "City"), by and through its Department of Housing ("DOH"), with a mailing address of 318 South Michigan Avenue, Chicago, Illinois 60604; Bank One, NA, a national banking association (the "Bank"), with a mailing address of 1 Bank One Plaza, Chicago, Illinois 60670, Attention: Mr. Paul Vlamis, Mail Code IL1-0951; The Lorali Building, L.L.C., an Illinois limited liability company, (the "Company"); John Klise, a manager of the Company ("Klise"); and James Stoller, a manager of the Company ("Stoller"). The Company, Klise and Stoller (collectively, the "Developer"), have a mailing address of 1039 West Lawrence Avenue, Chicago, Illinois 60640. The City, the Developer and the Bank are sometimes referred to herein as the "Parties."

11

**RECITALS**

A. La Salle Bank National Association, a national banking association (the "Trustee"), not personally but solely as successor trustee to American National Bank and Trust Company of Chicago, a national banking association, under that certain Trust Agreement dated February 19, 1999 and known as Trust No. 124876-09 (the "Trust"), owned title to real estate located at 1039 West Lawrence Avenue in Chicago, Illinois, legally described in Exhibit A hereto (the "Property") until July 29, 2002, when title to the Property was conveyed by the Trustee to the Company. Prior to July 29, 2002, Stoller, Klise and Roberta Dorothy Lieberman, not personally, but as trustee of The Samuel W. Brody Testamentary Trust (the "Testamentary Trust"), owned respectively 38.33 percent, 41.67 percent and 20 percent of the beneficial interest of the Trust.

B. The City Council of the City, pursuant to: (i) an ordinance adopted on May 18, 1994 and published in the Journal of the Proceedings of the City Council (the "Journal of Proceedings") for said

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date at pages 50811-50814; and (ii) an ordinance adopted on May 12, 1999 and published in the Journal of Proceedings for said date at pages 1828-1830, has authorized DOH to enter into grant agreements with owners of Single Room Occupancy buildings for the payment of up to \$500 per unit for the installation of fire safety devices under the SRO Fire Safety Financing Program (the "Program").

C. On May 24, 2001, the City made a grant under the Program in an amount not to exceed \$70,000 (the "Grant") to the Developer, the Trustee and the Testamentary Trust. The Grant is evidenced, among other things, by: (i) that certain Grant Agreement between the City, the Developer, the Trustee and the Testamentary Trust, dated as of May 24, 2001; and (ii) that certain Mortgage Assignment of Rents, Security Agreement and Financing Statement made by the Developer, the Trustee and the Testamentary Trust in favor of the City (the "City Mortgage"), dated as of May 24, 2001 and recorded in the Office of the Cook County Recorder of Deeds on the same date as Document No. 10440288. The City, the Developer and the Testamentary Trust have executed or will execute as of the Closing Date an amendment to the City Mortgage and the Grant Agreement (the "City Amendment"). The City Mortgage, the Grant Agreement, the City Amendment and any other documents executed in connection with the Grant are collectively referred to herein as the "City Documents."

D. The City Mortgage is subordinate to: (i) that certain Mortgage, Security Agreement and Assignment of Leases dated March 1, 1999 granted by the Trustee and the Company to The First National Bank of Chicago, a national banking association ("First Bank"), and recorded in the Office of the Cook County Recorder of Deeds on March 11, 1999 as Document No. 99235809 securing a note of even date therewith in the principal amount of \$2,400,000 in favor of First Bank, as amended by that certain Assumption and Modification Agreement between the Developer, First Bank and Bank One, NA, a national banking association (the "Bank"), dated as of September 1, 2000 and recorded in the Office of the Cook County Recorder of Deeds on September 5, 2000 as Document No. 00683758; and (ii) that certain Second Mortgage, Assignment of Leases, Rents and Contracts, Security Agreement and Financing Statement dated September 1, 2000 granted by the Trustee and the Company in favor of the Bank and recorded in the Office of the Cook County Recorder of Deeds on September 5, 2000 as Document No. 00683757, securing a note of even date therewith in the principal amount of \$500,000 in favor of the Bank. The two mortgages described in this paragraph are collectively referred to herein as the "Senior Mortgage." The loans described in this paragraph secured by the Senior Mortgage in the total amount of \$2,900,000 are collectively referred to herein as the "Senior Loan."

E. The City Mortgage is senior to that certain Grant Agreement and Mortgage dated as of May 8, 2001 made by the Trustee and the Company in favor of Community Investment Corporation, an Illinois not-for-profit corporation, evidencing a grant in the amount of \$100,000, and recorded in the Office of the Cook County Recorder of Deeds on August 30, 2001 as Document No. 10804457.

F. The City and the Developer desired that the Bank make a new loan to the Company in the amount of \$3,200,000 (the "Refinancing Loan"), to refinance the Senior Loan and pay all current outstanding principal and interest on the Senior Loan. On July 1, 2002, the Company executed a Promissory Note (the "Refinancing Note") in the amount of \$3,200,000 secured and evidenced, among other things by: (i) that certain Loan Agreement entered into by the Company and the Bank as of July 1, 2002 (the "Refinancing Agreement"); (ii) that certain Mortgage, Assignment of Rents, Security

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Agreement and Fixture Filing (the "Refinancing Mortgage") made by the Company in favor of the Bank as of July 1, 2002, and recorded in the Office of the Cook County Recorder of Deeds on July 29, 2002 as Document No. 0020823926; and (iii) the following documents made as of July 1, 2002 by the Company, Stoller and/or Klise in favor of the Bank: Continuing Guarantees, Environmental Indemnity Agreement, Uniform Commercial Code Financing Statement, Completion/Repair Agreement and Pledge and Assignment Agreement (collectively with the Refinancing Agreement, the Refinancing Note, the Refinancing Mortgage and any other documents evidencing and securing the Refinancing Loan, the "Refinancing Documents").

G. It is a condition to the Bank making the Refinancing Loan to the Company that the Refinancing Mortgage unconditionally be and remain at all times a lien, claim and charge upon the Property prior and superior to the liens, claims and charges of the City Documents.

H. The Bank would not make the Refinancing Loan without this Subordination Agreement.

NOW THEREFORE, in consideration of the mutual covenants and agreements hereinafter contained, the Recitals which are made a contractual part of this Subordination Agreement and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

## AGREEMENTS

1. The City agrees that the Refinancing Documents, the Refinancing Mortgage and any and all renewals, amendments, modifications, extensions or advances thereunder or secured thereby (including interest thereon), unconditionally do and will remain at all times a lien, claim or charge on the Property prior and superior to the City Mortgage and the City Documents. The maximum amount of indebtedness secured by the Refinancing Mortgage and senior to the City Documents is \$4,000,000, plus any disbursements for the payment of taxes and insurance on the Property, plus interest thereon, plus any other sums advanced in accordance with the terms thereof or any of the other Refinancing Documents to protect the security of the Refinancing Mortgage or any of the other Refinancing Documents, including, without limitation any protective advances, plus interest thereon.

2. The City agrees that:

2.1. The City intentionally and unconditionally: (i) consents to the liens, claims and charges upon the Property of the Refinancing Documents, and (ii) subjects and subordinates the liens, claims and charges of the City Documents in favor of the liens, claims and charges upon the Property of the Refinancing Documents and understands that in reliance upon, and in consideration of, this subjection and subordination, specific loans and advances are being and will be made and, as part and parcel thereof, specific monetary and other obligations are being and will be entered into that would not be made or entered into but for the Bank's reliance upon this subjection and subordination.

2.2. Any waiver or forbearance by the Bank in the exercise of its rights and remedies under

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the Refinancing Documents shall not impair the priority of the lien of the Refinancing Documents.

3. The Bank agrees to release the Senior Mortgage and any other documents securing the Senior Loan.

4. The Bank acknowledges that this Subordination Agreement does not constitute a novation, but is intended to be an amendment and modification of the City Documents. The Developer agrees that except as noted in this Subordination Agreement, the provisions of the City Documents remain in full force and effect and are hereby ratified and confirmed. The Developer agrees that the City Mortgage shall continue to secure performance of the obligations under the Grant Agreement without loss of priority.

5. This Subordination Agreement is the whole and only agreement with regard to the subordination of the liens, claims and charges of the City Documents to the Refinancing Documents. This Subordination Agreement is binding on and inures to the benefit of the legal representatives, heirs, successors and assigns of the Parties.

6. If any Party to this Subordination Agreement brings an action to interpret or enforce its rights under this Subordination Agreement, the prevailing Party will be entitled to recover its reasonable costs and reasonable attorneys' fees as awarded in the action.

7. All notices given under this Subordination Agreement must be in writing and will be served effectively upon delivery, or if mailed, upon the first to occur of receipt or the expiration of forty-eight hours after deposit in certified United States mail, postage prepaid, sent to the Party at its address appearing in the preamble. Those addresses may be changed by any Party by notice to all other Parties.

8. This Subordination Agreement is governed by the laws of the State of Illinois without regard to its conflict of laws principles.

9. This Subordination Agreement may be executed in counterparts, and all counterparts constitute but one and the same document.

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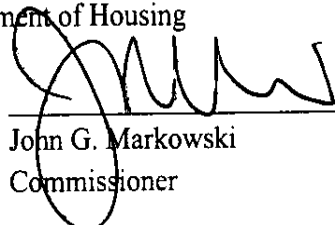


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IN WITNESS WHEREOF, this Subordination Agreement is executed as of the day and year above written.

CITY OF CHICAGO, acting by and through its  
Department of Housing

By: \_\_\_\_\_

  
John G. Markowski  
Commissioner

BANK ONE, N.A., a national banking association

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

THE LORALI BUILDING, L.L.C.,  
an Illinois limited liability company

By: \_\_\_\_\_

John Klise  
Manager

James Stoller  
Manager

JAMES STOLLER, an Individual

\_\_\_\_\_

JOHN KLISE, an Individual

\_\_\_\_\_

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*[Handwritten signature]*

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11/15/2011

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IN WITNESS WHEREOF, this Subordination Agreement is executed as of the day and year above written.

CITY OF CHICAGO, acting by and through its  
Department of Housing

By: \_\_\_\_\_  
John G. Markowski  
Commissioner

BANK ONE, NA, a national banking association

By: Paul C. Vlavis  
Name: Paul C. Vlavis  
Title: Officer

THE LORALI BUILDING, L.L.C.,  
an Illinois limited liability company

By: John Klise      James Stoller  
John Klise      James Stoller  
Manager      Manager

JAMES STOLLER, an individual

James Stoller

JOHN KLISE, an individual

John Klise

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STATE OF ILLINOIS )  
  ) SS  
COUNTY OF COOK )

I, the undersigned, a notary public in and for the County and State aforesaid, do hereby certify that John G. Markowski, personally known to me to be the \_\_\_\_\_ Commissioner of the Department of Housing of the City of Chicago, Illinois (the "City") and personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person and acknowledged that as such \_\_\_\_\_ Commissioner, (s)he signed and delivered the said instrument pursuant to authority delegated by the City, as his/her free and voluntary act, and as the free and voluntary act and deed of the City, for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal on NOV 07, 2002.

(SEAL)

Ronald Mohammed  
Notary Public

OFFICIAL SEAL  
RONALD MOHAMMED  
NOTARY PUBLIC STATE OF ILLINOIS  
MY COMMISSION EXPIRES JUNE 21, 2005

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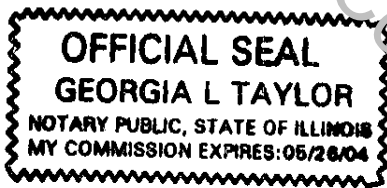
STATE OF ILLINOIS )  
                          ) SS.  
COUNTY OF ~~COOK~~ <sup>DUPAGE</sup> )

I, the undersigned, a notary public in and for said county, in the state aforesaid, do hereby certify that Paul C. Vlantis, personally known to me to be the OFFICER of Bank One, NA, a national banking association (the "Bank"), and personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person and acknowledged that he/she signed and delivered the said instrument pursuant to authority delegated by the Bank, as his/her free and voluntary act, and as the free and voluntary act and deed of the City, for the uses and purposes herein set forth.

GIVEN under my hand and notarial seal on Nov. 12th, 2002.

Georgia L Taylor  
Notary Public

(SEAL)



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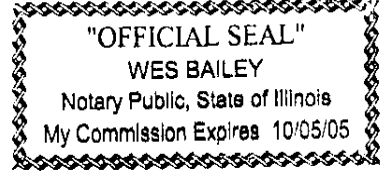


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STATE OF ILLINOIS )  
 ) SS.  
COUNTY OF COOK )

I, the undersigned, a Notary Public in and for the county and State aforesaid, do hereby certify that John Klise, personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person and acknowledged that he signed and delivered the said instrument as his free and voluntary act, for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal on 10-22, 2002.



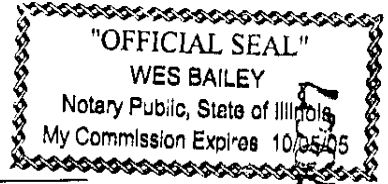
Wes Bailey  
Notary Public

(SEAL)

STATE OF ILLINOIS )  
 ) SS.  
COUNTY OF COOK )

I, the undersigned, a Notary Public in and for the county and State aforesaid, do hereby certify that James Stoller, personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person and acknowledged that he signed and delivered the said instrument as his free and voluntary act, for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal on 10-22, 2002.



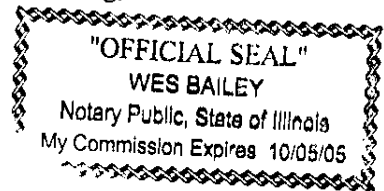
Wes Bailey  
Notary Public

(SEAL)

STATE OF ILLINOIS )  
 ) SS.  
COUNTY OF COOK )

I, the undersigned, a Notary Public in and for the county and State aforesaid, do hereby certify that John Klise, personally known to me to be the manager of The Lorali Building, L.L.C., and personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person and acknowledged that he signed and delivered the said instrument as his free and voluntary act, and as the free and voluntary act of The Lorali Building, L.L.C. for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal on 10-22, 2002.



Wes Bailey  
Notary Public

(SEAL)

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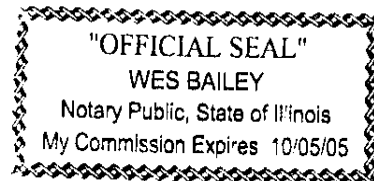
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STATE OF ILLINOIS )  
                                  ) SS.  
COUNTY OF COOK   )

I, the undersigned, a Notary Public in and for the county and State aforesaid, do hereby certify that James Stoller, personally known to me to be the manager of The Lorali Building, L.L.C., and personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person and acknowledged that he signed and delivered the said instrument as his free and voluntary act, and as the free and voluntary act of The Lorali Building, L.L.C. for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal on 10-22, 2002.



\_\_\_\_\_  
Notary Public

(SEAL)

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## EXHIBIT A

### Legal Description:

LOTS 101 AND 102 IN WILLIAM DEERING SURRENDEN SUBDIVISION IN THE WEST  
½ OF THE NORTHEAST ¼ OF SECTION 17, TOWNSHIP 40 NORTH, RANGE 14 EAST  
OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS.

Address Commonly Known as: 1039 West Lawrence Avenue, Chicago, Illinois 60640.

Permanent Index No.           14-17-202-010-0000  
  14-17-202-011-0000

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