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AND WHEN RECORDED MAIL)

TO:)
Elvin E. Charity)
Charity & Associates, P.C.)
20 North Clark Street, Suite 700)
Chicago, Illinois 60602)



Doc#: 0513304165
Eugene "Gene" Moore Fee: \$146.00
Cook County Recorder of Deeds
Date: 05/13/2005 04:08 PM Pg: 1 of 62

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LEASEHOLD DEED OF TRUST

THIS LEASEHOLD DEED OF TRUST is made this 1st day of May, 2005, by HILLIARD HOMES II LIMITED PARTNERSHIP, an Illinois limited partnership having a mailing address at 1333 North Kingsbury, Suite 305, Chicago, Illinois 60622 (the "Borrower"), to BANK OF AMERICA, N.A., a national banking association, having a mailing address at 231 S. LaSalle Street, Chicago, Illinois 60604 (the "Trustee").

WITNESSETH:

1. Recitals; Grant of Lien in Trust Property; Subordinate Deed of Trust

WHEREAS, the Borrower is the owner of a leasehold estate (the "Leasehold Estate") in the land described in Schedule A attached hereto (the "Land") commonly known as 30 W. Cermak Road and 2030 S. State Street, Chicago, Illinois under and pursuant to the provisions of that certain Amended and Restated Ground Lease Agreement dated as of May 1, 2005 between the Chicago Housing Authority, an Illinois municipal corporation (the "Ground Lessor"), as lessor, and Borrower, as lessee, and recorded with the Cook County Recorder's Office on May 13, 2005 as Document Number 0513304153 (the "Ground Lease");

WHEREAS, the Borrower is the owner of the fee estate in the buildings and other improvements situated on the Land (the "Improvements," and, together with the Leasehold Estate, the "Real Estate");

WHEREAS, the Ground Lessor, in its capacity as issuer (the "Issuer"), the Trustee, in its capacity as fiscal agent, and Bank of America, N.A., a national banking association (the "Noteholder") have entered into that certain Note Issuance Agreement (the "Note Issuance Agreement") dated as of the date hereof, pursuant to the terms of which the Issuer has issued its (i) \$13,133,514 Multi-Family Housing Revenue Note, Series 2005A (Hilliard Homes - Phase II Development) (the "Series 2005A Authority Note"), and (ii) a \$11,792,062 Multi-Family Housing Revenue Note, Series 2005B (Hilliard Homes - Phase II Development) (the "Series

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2005B Authority Note” and collectively with the Series 2005A Authority Note, the “Authority Notes”);

WHEREAS, pursuant to the Note Issuance Agreement, the Issuer has (a) appointed the Trustee as fiscal agent for the purposes of holding all moneys and securities of the Issuer and any and all other real or personal property of every type and nature from time to time hereafter conveyed, mortgaged, pledged, assigned or transferred, as and for additional security for the obligations of the Issuer under the Authority Notes and (b) agreed to sell and assign the Authority Notes to the Noteholder;

WHEREAS, the Issuer and the Borrower have entered into that certain Loan Agreement (the “Loan Agreement”) of even date herewith, pursuant to the terms of which the Issuer has agreed to lend to the Borrower and the Borrower has agreed to borrow from Issuer (a) the sum of \$13,133,514 (the “Series 2005A Loan”), comprising the proceeds received by the Issuer from the sale of the Series 2005A Authority Note to the Noteholder; and (b) the sum of \$11,792,062 (the “Series 2005B Loan,” and collectively with the Series 2005A Loan, the “Loan”), comprising the proceeds received by the Issuer from the sale of the Series 2005B Authority Note to the Noteholder;

WHEREAS, pursuant to the Loan Agreement, and to evidence (a) the Series 2005A Loan from the Issuer to the Borrower, the Borrower has executed and delivered to the order of Issuer that certain promissory note (the “Series 2005A Owner Note”) in the principal amount of the Series 2005A Loan, or so much of the Series 2005A Loan as may be advanced in accordance with the provisions of the Loan Agreement; and (b) the Series 2005B Loan from the Issuer to the Borrower, the Borrower has executed and delivered to the order of Issuer that certain promissory note (the “Series 2005B Owner Note,” and collectively with the Series 2005A Owner Note, the “Owner Notes”) in the principal amount of the Series 2005B Loan, or so much of the Series 2005B Loan as may be advanced in accordance with the provisions of the Loan Agreement;

WHEREAS, pursuant to that certain Assignment and Security Agreement (the “Assignment,” and, together with the Loan Agreement, the Owner Notes, this Deed of Trust, any interest rate cap, swap or similar interest rate hedge agreement between the Noteholder and Borrower, and the other documents executed and delivered to evidence, guarantee and secure the Owner Notes, referred to hereinafter collectively as the “Loan Documents”) of even date herewith, the Issuer has agreed to assign to the Noteholder all of the Issuer’s right, title and interest in and to the Loan Agreement, except for certain Unassigned Rights (as defined in the Loan Agreement) and will further endorse and deliver the Owner Notes to Noteholder, all as security for the Issuer’s obligations under the Authority Notes;

NOW THEREFORE, to secure the payment of the indebtedness evidenced by the Series 2005B Owner Note and the Series 2005B Authority Note, with interest as provided therein, and all renewals, extensions, modifications or replacements thereof (said indebtedness, interest and all other sums which may or shall become due pursuant to the Series 2005B Authority Note, the Series 2005B Owner Note and the Loan Documents being hereinafter collectively referred to as the “Indebtedness”), the Borrower has mortgaged, given, granted, bargained, sold, aliened, enfeoffed, conveyed, confirmed and assigned, and by these presents does mortgage, give, grant,

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bargain, sell, alien, enfeoff, convey, confirm and assign unto the Trustee for the benefit of the Issuer and, upon the assignment, endorsement and delivery of the Series 2005B Authority Note and the Series 2005B Owner Note by the Issuer to the Noteholder, and any successors thereto as the lawful owner and holder of the Series 2005B Authority Note and the Series 2005B Owner Note (each such holder being referred to hereinafter as the "Beneficiary") forever all right, title and interest of the Borrower now owned, or hereafter acquired, in and to the property, rights and interests specified hereinbelow (such property, rights and interests being hereinafter collectively referred to as the "Trust Property"):

(a) (i) the Leasehold Estate in the Land created under the Ground Lease and all modifications, extensions and renewals of the Ground Lease and all credits, deposits, options, purchase options, privileges and rights of the Borrower under the Ground Lease, including, but not limited to, the right, if any, to renew or extend the Ground Lease for a succeeding term or terms or to acquire fee title to or other interest in all or any portion of the Real Estate or any portion of the Real Estate or other interest; and (ii) all of the Borrower's rights and remedies at any time arising under or pursuant to Section 365(h) of the Bankruptcy Code (defined below), including, without limitation, all of the Borrower's right under the Bankruptcy Code to remain in possession of the Real Estate;

(b) all buildings, structures and other Improvements now or hereafter located on the Land;

(c) all of the estate, right, title claim or demand of any nature whatsoever of the Borrower, either in law or in equity, in possession or expectancy, in and to: (i) all additional lands and estates hereafter acquired by Borrower for use in connection with the Real Estate and all lands and estates that may, from time to time, by modification, amendment or supplement to the Ground Lease or this Deed of Trust or additional agreement, be made subject to the lien of this Deed of Trust, (ii) the reversion and reversions, remainder and remainders, and all land lying in the bed of any street, road or avenue, opened or proposed, in front of or adjoining the Real Estate, to the center line thereof, and (iii) all the estates, rights, titles, interests, dower and rights of dower, curtesy and rights of curtesy, property, possession, claim and demand whatsoever, both at law and in equity, of Borrower of, in and to the Real Estate and all other interests which are included in the Real Estate;

(d) all easements, rights-of-way, strips and gores of land, streets, ways, alleys, passages, sewer rights, waters, water courses, water rights and powers, mineral rights, and all estates, rights, titles, interests, privileges, liberties, tenements, hereditaments, and appurtenances of any nature whatsoever, in any way belonging, relating or pertaining to the Real Estate (or any part thereof or interest therein) (including, without limitation, all zoning rights, air rights and similar or comparable rights of any nature whatsoever now or hereafter appurtenant to the Real Estate or now or hereafter transferred to the Real Estate or the Borrower);

(e) (i) all machinery, apparatus, equipment, fittings, fixtures and other property of every kind and nature whatsoever (and all additions to any such property, and

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all renewals and replacements of any such property, and all substitutions for any such property) (all such machinery, apparatus, equipment, fittings, fixtures and other property, and all additions, renewals, replacements, and substitutions being called the "Equipment"), to the extent such Equipment (or any part thereof or interest therein) is now owned or is hereafter acquired by the Borrower, if: 1) such Equipment is now or hereafter located upon or in, or attached to, any portion of the Real Estate (or any part thereof or interest therein), or appurtenances thereto, or 2) such Equipment is not located on the Real Estate (or any part thereof or interest therein) but is purchased with the proceeds of the Indebtedness, or 3) such Equipment is used or usable in connection with the present or future improvement, maintenance, operation and occupancy of the Real Estate (or any part thereof or interest therein); and (ii) all furnaces, boilers, oil burners, radiators and piping, coal stokers, fuel lines, plumbing and bathroom fixtures, refrigeration, air conditioning and sprinkler systems, wash-tubs, sinks, gas and electric fixtures, stoves, ranges, ovens, disposals, dishwashers, hood and fan combinations, awnings, screens, window shades, elevators, motors, dynamos, refrigerators, kitchen cabinets, incinerators, kitchen equipment, laundry equipment, plants and shrubbery, and all alterations and replacements to any of the above items specified in this subparagraph; and (iii) all building equipment, materials and supplies of any nature whatsoever owned by the Borrower, now or hereafter located upon, or intended to be incorporated in, the Real Estate (or any part thereof or interest therein), and whether stored at the Real Estate or elsewhere (all the items specified above in clauses (i), (ii) and (iii) of this paragraph (e) being called the "Tangible Personalty"), and (iv) all right, title and interest of the Borrower in and to any of the Tangible Personalty which may be subject to any security agreement (as defined in the Uniform Commercial Code of the State of Illinois (the "Uniform Commercial Code"), superior in lien to the lien of this Deed of Trust, and (v) all proceeds and products of each of the items specified above in this paragraph;

(f) all awards and payments, including, without limitation, interest thereon, and the right to receive such awards and payments, which may be made with respect to the Real Estate or the Tangible Personalty (or any part thereof or interest therein), whether (i) from the exercise of the right of eminent domain (including any transfer made in lieu of the exercise of said right), or (ii) for any other injury to or decrease in the value of the Real Estate or the Tangible Personalty (or any part thereof or interest therein);

(g) all leases, subleases, licenses, concessions, occupancy agreements, and other agreements affecting the use or occupancy of the Real Estate (or any portion thereof or interest therein) now or hereafter entered into and all guarantees of any of the foregoing (all such leases, subleases, licenses, concessions, occupancy agreements, and other agreements, and guarantees being collectively called the "Leases") and all rents, issues and profits of the Real Estate (or any part thereof or interest therein), other than tenant housing payments deposited and held in the PHA Tenant Rent Reserve Account pursuant to the Regulatory and Operating Agreement, unless and until paid over to Borrower for use in connection with the Real Estate, (such rents, issues and profits being called the "Rents"), and all right, title and interest of Borrower under each Lease, including, without limitation, all cash or securities (if any) deposited under each Lease to secure performance by any tenant or occupant under such Lease of its respective

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obligations under such Lease and the right to enforce, whether by action at law or in equity or by other means, all provisions, covenants and agreements of such Lease;

(h) all rights in and to (i) all contracts from time to time executed by the Borrower, or any manager or agent on its behalf, relating to the ownership, construction, rehabilitation, maintenance, repair, operation, occupancy, sale or financing of the Real Estate (or any part thereof, or interest therein) and (ii) all agreements relating to the purchase or lease of the Real Estate (or any part thereof or interest therein) or any property which is adjacent to, or is or can be used in common with, the Real Estate (or any part thereof or interest therein), together with the right to exercise all options under each such contract or agreement, and under each lease of any Tangible Personalty, (iii) all consents, franchises, licenses, building permits, certificates of occupancy and other governmental approvals relating to construction, completion, occupancy, use or operation of the Real Estate (or any part thereof or interest therein), and (iv) all drawings, plans, specifications and similar or related items relating to the Real Estate (or any part thereof or interest therein);

(i) all trade names, trademarks, logos, copyrights, patents, intellectual property, good will and books and records, electronic media, computer software, and data in paper, electronic, microwave, and other formats, relating to or used in connection with the operation of the Real Estate (or any part thereof or interest therein); and all general intangibles related to the operation of the Real Estate (or any part thereof or interest therein) now existing or hereafter arising;

(j) all accounts and revenues arising from the operation of the Real Estate (or any part thereof or interest therein), including, without limitation, each right to payment now existing or hereafter arising for license or rental of any room, suite, or other space, or for goods sold or leased or for services rendered, whether or not yet earned by performance, arising from the operation of the Real Estate (or any part thereof or interest therein);

(k) all proceeds of, and all unearned premiums on, each insurance policy covering the Real Estate (or any part thereof or interest therein), including, without limitation, the right to receive and apply the proceeds of any insurance, judgments, or settlements made in lieu of such proceeds, for damage to the Real Estate (or any part thereof or interest therein);

(l) Borrower's interest in all claims and causes of action relating directly or indirectly to the Real Estate (or any part thereof or interest therein), whether such claims or causes of action arise in Borrower's name or such claims or causes of action are acquired by Borrower, directly or indirectly, by subrogation or otherwise; and the right, in the name and on behalf of the Borrower, to appear in and defend any action or proceeding brought with respect to the Real Estate (or any part thereof or interest therein) and to commence any action or proceeding to protect the interest of the Borrower in the Real Estate (or any part thereof or interest therein); and

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(m) all proceeds, whether cash or non-cash, of each of the foregoing items specified in the above subparagraphs (a) to (l); and

(n) Easement rights established by that certain Cross Easements, Declaration, Reciprocal Rights, Use and Cost Sharing Agreement for Hilliard Apartments Phases I and II by and among Borrower, Ground Lessor and Hilliard Homes I Limited Partnership, an Illinois limited partnership ("Hilliard I"), recorded October 30, 2002 in the Office of the Recorder of Cook County, Illinois as Document No. 0021200502 as amended by that certain First Amendment to Cross Easements, Declaration, Reciprocal Rights, Use and Cost Sharing Agreement for Hilliard Apartments Phases I and II by and among Borrower, Ground Lessor and Hilliard I, and recorded May __, 2005 in the Office of the Recorder of Cook County, Illinois as Document No. _____.

TO HAVE AND TO HOLD the above granted and described Trust Property unto the Trustee, and the successors and assigns of the Trustee, for the benefit of the Beneficiary, forever.

1.1 Subordination Rights of Prior Mortgagee. The rights of the Trustee and Beneficiary under this Deed of Trust are subject and subordinate to the rights of the Prior Mortgagee (as hereinafter defined), as holder of the Prior Mortgage and the Prior Loan Documents (as such terms are hereinafter defined). So long as the Prior Loan Documents are in effect, in the event of any conflict between the provisions of this Deed of Trust and the Prior Loan Documents, the provisions of the Prior Loan Documents shall prevail. Any waiver or forbearance by the Prior Mortgagee under the Prior Loan Documents shall not impair the priority of the lien of the Prior Loan Documents vis a vis this Deed of Trust. The Borrower further warrants and represents to, and covenants as follows:

[a] the Prior Loan Documents are and in all respects shall at all times be current and in full force and effect without default on the part of the Borrower thereunder remaining uncured beyond any applicable notice and cure period;

[b] the Borrower shall not enter into any agreement with the holder of the Prior Loan Documents to amend, modify, renew, increase or in any manner change the terms of the Prior Loan Documents or the indebtedness secured by the Prior Loan Documents, either orally or in writing and whether or not permitted to do so by the terms of the Prior Loan Documents, without the prior written consent of the Beneficiary;

[c] any default under the Prior Loan Documents, which remains uncured after any applicable notice and cure period, shall ipso facto constitute a default under this Deed of Trust;

[d] the Borrower shall (i) promptly notify the Trustee and the Beneficiary in writing of the occurrence of any default or event of default known to the Borrower under any of the Prior Loan Documents or any instrument or agreement related thereto, (ii) promptly notify the Trustee and the Beneficiary of receipt by the Borrower of any notice noting or claiming the occurrence of any default or event of default under the Prior Loan Documents or any instrument or agreement relating thereto, and (iii) promptly

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cause a copy of each such notice received by the Borrower to be delivered to the Trustee and the Beneficiary;

[e] the Beneficiary shall have the right, at its option, to perform the obligations of the Borrower under the Prior Loan Documents, following any default under the Prior Loan Documents remaining uncured beyond any applicable notice and cure period, without the Beneficiary waiving any other of its rights under this Deed of Trust. Should the Beneficiary exercise its right under this Deed of Trust to cure a default, the Borrower will reimburse the Beneficiary (on demand by the Beneficiary) for any expenses the Beneficiary shall have incurred pursuant to the provisions of this Section, and any such expenditures shall become a lien upon the Trust Property and shall be secured by this Deed of Trust (as and when such expenditures are incurred), and shall bear interest at the Default Rate (as hereinafter defined). The Borrower will take all reasonable steps to insure the Beneficiary will have a reasonable opportunity to cure all defaults under the Prior Loan Documents.

1.2 Definitions Unless the context clearly indicates a contrary intent, or unless otherwise specifically provided in this Deed of Trust, words used in this Deed of Trust shall be used interchangeably in singular or plural form. Capitalized terms not otherwise defined herein shall have the meaning ascribed to such term in the Loan Agreement. Whenever the context may require, any pronouns used in this Deed of Trust shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns and pronouns shall include the plural and vice versa. In addition, the following terms are defined as provided below:

“Administrative General Partner” means Alliant Tax Credit 32 GP, Inc., a Florida corporation, and any permitted successor as administrative general partner of Borrower.

“Administrative Limited Partner” means Alliant Tax Credit 32, Inc., a Florida corporation, and any permitted successor as administrative limited partner of Borrower.

“Bankruptcy Code” has the meaning ascribed to such term in Section 4.1.

“Costs of the Project” means any reasonable or necessary costs incidental to the acquisition, rehabilitation and equipping of the Improvements, including as set forth in a budget approved by the Beneficiary in writing.

The term “default” means the occurrence of any default by the Borrower or other person in the compliance with, or the performance of, any Loan Document without regard to whether such default constitutes or would constitute, upon notice or lapse of time, or both, an Event of Default under this Deed of Trust.

“Default Rate” means the interest rate applicable after the occurrence of default under Section 2.5 of the Loan Agreement.

“Event of Default” has the meaning ascribed to such term in Section 4.1.

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"Guarantor" means each person guaranteeing payment of the Indebtedness (or any portion thereof) or performance by the Borrower of any of the terms of this Deed of Trust or any of Borrower's obligations under the Loan Agreement, and each such person's respective heirs, executors, administrators, legal representatives, successors and assigns.

"HUD" means the United States Department of Housing and Urban Development.

"HUD Regulatory Agreement" means the Regulatory Agreement for Multi-Family Housing Projects dated as of May 1, 2005 between Borrower and Prior Lender

"HUD Required Provisions Rider" means that certain HUD Required Provisions Rider attached hereto and made a part hereof and which will remain applicable for the term of the Prior Mortgage and so long as HUD is the insurer or holder of the Prior Mortgage.

The term "including" means "including, without limitation."

"Investor Limited Partner" means Alliant Tax Credit Fund 32, Ltd., a Florida limited partnership, and any permitted successor as investor limited partner of Borrower.

"Managing General Partner" means HH2 Development Corporation, an Illinois corporation, and any permitted successor as managing general partner of Borrower.

"Notice" has the meaning ascribed to such term in Section 5.1.

The term "person" includes an individual, corporation, partnership, limited liability partnership, limited liability company, trust, unincorporated association, government, governmental authority, or other entity.

"Permitted Exceptions" has the meaning ascribed to such term in Section 2.14.

"Prior Loan" means the loan in the principal amount of \$3,400,000, as evidenced by that certain mortgage note of even date therewith executed by Borrower to the order of Prior Mortgagee.

"Prior Loan Documents" means the following documents executed in connection with the Prior Loan: (a) the Prior Mortgage and the mortgage note evidencing the Prior Loan, (b) that certain Security Agreement (Chattel Mortgage) dated as of May 1, 2005 between the Prior Mortgagee and Borrower, (c) UCC Financing Statements, (d) that certain Assignment of Leases and Rents dated as of May 1, 2005 executed by Borrower in favor of Prior Lender, (e) that certain Assignment of Documents and Contracts dated as of May 1, 2005 executed by Borrower in favor of Prior Lender and (f) the HUD Regulatory Agreement; and (g) the Building Loan Agreement, dated as of May 1, 2005, between the Borrower and Prior Mortgagee.

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“Prior Mortgage” means that certain mortgage dated as of May 1, 2005 from Borrower to Prior Mortgagee and recorded prior hereto in the Office of the Cook County Recorder of Deeds, securing the Prior Loan.

“Prior Mortgagee” means PNC MultiFamily Finance, Inc., a Delaware, and its successors and assigns.

“Regulatory and Operating Agreement” means that certain Regulatory and Operating Agreement dated as of May 1, 2005 between the Borrower and Ground Lessor.

“Surplus Cash” has the meaning ascribed to such term in the HUD Regulatory Agreement.

1.3 Resignation of Trustee; Appointment of Replacement Trustee. Trustee may resign at any time by written instrument to that effect delivered to Beneficiary. As provided below, Beneficiary may (for any reason satisfactory to Beneficiary and whether or not Trustee has resigned by an instrument placed of record) appoint a successor Trustee, who from and after the filing of such appointment shall become vested with the title to the Trust Property in trust for the benefit of Beneficiary and shall have all of the powers, authority and duties vested in Trustee by this Deed of Trust. In the event any foreclosure advertisement is running or has run at the time of such appointment of a successor Trustee, the successor Trustee may consummate the advertised sale without the necessity of republishing such advertisement. The making of oath or giving of bond by Trustee or any successor Trustee is expressly waived.

1.4 Power To Remove Trustee And Appoint Successor Trustee. Beneficiary shall have, and is hereby granted by Borrower (with warranty of further assurances), the irrevocable power to appoint a substitute trustee or trustees hereunder and to remove trustees from time to time acting hereunder without notice and without specifying any reason therefore, by filing for record an instrument of appointment in the office where this instrument is recorded. Said power of removal and appointment may be exercised as often and whenever Beneficiary deems it advisable, and the exercise of said power, no matter how often exercised, shall not result in an exhaustion of said power. Upon the recordation of such instrument of appointment, the trustee or trustees so appointed shall thereupon, without any further act or deed or conveyance, become fully vested with identically the same title and estate in and to the Trust Property and with all of the identical rights, powers, trusts and duties of their, his or its predecessor or predecessors in the Trust Property with like effect as if originally named as trustee or as one of the Trustees hereunder. Wherever in this Deed of Trust reference is made to Trustee, it shall be construed to mean the trustee or trustees for the time being, whether original or successors or successor in trust.

1.5 Ineffectiveness of Deed of Trust. Should this instrument be or become ineffective as a deed of trust, then these presents shall be construed and enforced as a mortgage with Borrower being the “mortgagor” and Beneficiary being the “mortgagee.”

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1.6 Reconveyance by Trustee. Trustee shall reconvey all or any part of the Trust Property covered by this Deed of Trust to the person entitled thereto on written request of Beneficiary, upon satisfaction of the Indebtedness and the other obligations secured hereby.

1.7 Indemnity And Exculpation of Trustee and Beneficiary. Neither the Trustee, nor the Beneficiary shall be liable for any act or omission or error of judgment, unless caused directly by the gross negligence or willful tortious misconduct of the Trustee or Beneficiary. Each of the Trustee and the Beneficiary may rely on any document believed by it in good faith to be genuine. All money received by the Trustee from the Borrower hereunder shall, until used or applied as provided in this Deed of Trust, be held in trust, but need not be segregated (except to the extent required by law), and the Trustee shall not be liable for any interest on any such money unless and to the extent expressly provided for hereunder. The Borrower shall protect, indemnify and hold harmless the Trustee and the Beneficiary against all liability and expenses which the Trustee or the Beneficiary may incur in the performance of their duties and the exercise of any rights under this Deed of Trust.

2. Borrower's Covenants, Representations and Warranties

The Borrower covenants and agrees with, and represents and warrants to, the Beneficiary as follows:

2.1 Borrower's Covenant to Pay Indebtedness. The Borrower will pay the Indebtedness pursuant to the Series 2005B Owner Note and pursuant to this Deed of Trust.

2.2 Borrower's Representations Regarding Ground Lease. Borrower represents and warrants that as of the date hereof: (i) the Ground Lease is in full force and effect and has not been modified in any manner whatsoever, (ii) there is no default, which remains uncured after any applicable notice and cure period, under the Ground Lease, and no event has occurred, which, but for the passage of time, or notice, or both, would constitute a default under the Ground Lease, (iii) all rent, additional rent and other sums due and payable under the Ground Lease have been paid in full, and (iv) no action has been commenced, and no notice has been given or received, for the purpose of terminating the Ground Lease.

2.3 Leasehold Mortgage Provisions.

[a] Borrower's Performance of Obligations; Notices. The Borrower shall: (i) pay all rents, additional rents and other sums required to be paid by the Borrower as lessee under and pursuant to the provisions of the Ground Lease, (ii) diligently perform and observe (or cause to be performed or observed) all of the terms, covenants and conditions of the Ground Lease to the extent the Borrower, as lessee under the Ground Lease, is obligated to perform or observe such terms, covenants and conditions, unless such performance or observance shall be waived or not required in writing by the lessor under the Ground Lease, to the end that all things shall be done which are necessary to keep unimpaired the rights of the Borrower, as lessee, under the Ground Lease, (iii) promptly give Notice to the Beneficiary in writing of any default by the Borrower or lessor under the Ground Lease, (iv) promptly (A) give Notice to the Beneficiary of 1) the

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giving of each notice by the lessor under the Ground Lease to the Borrower and 2) any notice noting or claiming any default by the Borrower under the Ground Lease, and (B) deliver to the Beneficiary a true copy of each such notice, (v) promptly (A) give Notice to the Beneficiary in writing of 1) the commencement of any litigation by any party to the Ground Lease, and 2) any request made by either party to the Ground Lease for arbitration proceedings pursuant to the Ground Lease, and 3) the institution of any arbitration proceedings, as well as of all other proceedings under the Ground Lease, and (B) promptly deliver to the Beneficiary a copy of each decision and each order of the judge in each such litigation, and each determination of the arbitrators in each such arbitration proceeding (the Beneficiary shall have the right to participate in such litigation and such arbitration proceedings, in association with the Borrower, or on the Beneficiary's own behalf as an interested party), (vi) furnish to the Beneficiary, within ten (10) days after demand, proof of payment of all items which are required to be paid by the Borrower pursuant to the Ground Lease, and (vii) not consent to the subordination of the Ground Lease to either (A) any mortgage of the fee interest in the Land (or any part thereof or interest therein), or (B) any interest of the lessor under the Ground Lease, except such as agreed to by the Beneficiary.

[b] Beneficiary's Right To Cure Borrower's Defaults. If the Borrower shall default under the Ground Lease, which default shall remain uncured beyond any applicable notice and cure period, or if the Beneficiary shall receive or become aware of any notice or claim of any default by the Borrower or any other party having an interest as the tenant under the Ground Lease, which default shall remain uncured beyond any applicable notice and cure period, then, without limiting the generality of the other provisions of this Deed of Trust, and without waiving or releasing the Borrower from any of its obligations under this Deed of Trust (and even though such default or the nature thereof is denied by the Borrower or any other person), the Beneficiary shall have the right, but shall be under no obligation: 1) to pay any sums, and to perform any act, or take any action, to perform any one or more of the obligations of the Borrower under the Ground Lease, and 2) to take any other action to keep the Ground Lease in full force and effect or to preserve any other rights of the Trustee and the Beneficiary with respect to the Ground Lease. All sums so paid by the Beneficiary and all costs and expenses incurred by the Beneficiary in connection with the performance of any such act shall be paid by the Borrower to the Beneficiary, upon demand by the Beneficiary, with interest at the Default Rate from the date of such payment or incurrence of each such sum, cost or expense. All such sums, costs, and expenses shall be deemed to be secured by this Deed of Trust and shall be a lien on the Trust Property prior to any right, title to, interest in or claim upon the Trust Property (or any part thereof or interest therein) attaching subsequent to the lien of this Deed of Trust. In the event Borrower shall default under the Ground Lease, which default shall remain uncured beyond any applicable notice and cure period (subject to the rights, if any, of lessees and other occupants under the Leases), the Beneficiary and any person designated by the Beneficiary shall have, and are hereby granted, the right to enter upon the Trust Property at any time and from time to time for the purpose of taking any such action. If the lessor under the Ground Lease shall deliver to the Beneficiary a copy of any notice of default sent by said lessor to the Borrower, as lessee under the Ground Lease, then the Beneficiary may rely on such notice and assume

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that all defaults specified in such notice have in fact taken place. The Beneficiary shall have no liability to the Borrower or any other party for any action taken or omitted to be taken by the Beneficiary, in good faith, in reliance on such notice.

[c] No Termination or Modification. The Borrower, shall not, without the prior written consent of the Beneficiary, surrender the leasehold estate created by the Ground Lease or terminate or cancel the Ground Lease or modify, change, supplement, alter or amend the Ground Lease, in any material respect, either orally or in writing. Any such surrender of the leasehold estate created by the Ground Lease or termination, cancellation, modification, change, supplement, alteration or amendment of the Ground Lease without the prior written consent of the Beneficiary shall be void and of no force and effect.

[d] Assignment of Borrower's Rights In Lessor's Bankruptcy. Supplementing the provisions of subsection [b] above, the Borrower shall not, without the Beneficiary's prior written consent, elect to treat the Ground Lease as terminated under Section 365(h)(1) of the Bankruptcy Code (or any comparable or successor or replacement provision). Any such election made without the Beneficiary's prior written consent shall be void. The Borrower hereby unconditionally assigns, transfers and sets over to the Trustee for the benefit of the Beneficiary all of the Borrower's claims and rights to the payment of damages arising under the Bankruptcy Code from any rejection by the lessor under the Ground Lease. The Beneficiary shall have the right to proceed in its own name or in the name of the Borrower in respect of any claim, suit, action or proceeding relating to the rejection of the Ground Lease, including, without limitation, the right to file and prosecute, to the exclusion of the Borrower, any proofs of claim, complaints, motions, applications, notices and other documents, in any case in respect of such lessor under the Bankruptcy Code. This assignment constitutes a present, irrevocable and unconditional assignment of each of the claims, rights and remedies specified in this paragraph. This assignment shall continue in effect until all of the Indebtedness and the other obligations secured by this Deed of Trust shall have been satisfied and discharged in full. If any action, motion or notice shall be commenced or filed in respect of either the Borrower, as lessee under the Ground Lease, or the Trust Property (or any part thereof or interest therein) in connection with any case under the Bankruptcy Code, then the Borrower shall give the Beneficiary prompt written Notice of each such action, motion or notice, and the Beneficiary shall have the option, to the exclusion of the Borrower, exercisable upon Notice from the Beneficiary to the Borrower, to conduct and control any such litigation with counsel of the Beneficiary's choice. However, if the Borrower files a petition under the Bankruptcy Code, or is adjudicated to be a debtor in an involuntary case under the Bankruptcy Code, then the Beneficiary may exercise such control over any such litigation as is permitted by applicable laws. The Beneficiary may proceed in its own name, or in the name of the Borrower, in connection with any such litigation, and the Borrower agrees to execute any and all powers, authorizations, consents and other documents required by the Beneficiary in connection with any such litigation. The Borrower shall, upon demand, pay to the Beneficiary all costs and expenses (including reasonable attorneys' fees) paid or incurred by the Beneficiary in connection with the prosecution or conduct of each such litigation.

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All such costs or expenses (except to the extent paid by the Borrower as provided above in this paragraph) shall be secured by the lien of this Deed of Trust and shall be added to the Indebtedness. The Borrower shall not commence any action, suit, proceeding or case, or file any application or make any motion, in respect of the Ground Lease in any such case under the Bankruptcy Code without the prior written consent of the Beneficiary. The Borrower shall give notice by telephone to the Beneficiary of any filing (by or against the lessor under the Ground Lease) of a petition under the Bankruptcy Code. Such notice shall be given immediately after the Borrower becomes aware of any such filing. The Borrower shall thereafter (not later than five (5) days after such telephonic notice) give written Notice of such filing to the Beneficiary, setting forth the date of such filing, the court in which the petition was filed and the relief sought in such petition. The Borrower shall promptly deliver to the Beneficiary a copy of each notice, summons, pleading, application and other document received by the Borrower in connection with any such petition or any proceeding relating to such petition (such copy shall be delivered to the Beneficiary within five (5) days after such item is received by the Borrower). Notwithstanding the foregoing, the Beneficiary agrees that the rights and benefits conferred upon Beneficiary by this subsection (d) shall not be exercisable without HUD's prior written consent so long as the Prior Mortgage remains a lien on the Trust Property and HUD is the owner or insurer of the Prior Mortgage.

[e] Power Of Attorney. The Borrower hereby irrevocably appoints the Beneficiary as the Borrower's true and lawful attorney-in-fact, in the Borrower's name or otherwise after notice to Borrower: 1) to do any and all acts and 2) to execute any and all documents, which, in any such case, in the reasonable opinion of the Beneficiary may be necessary or desirable to preserve any rights of the Borrower in, to or under the Ground Lease, or any occupancy lease, license or concession, including, without limitation, the right (but not the obligation) A) to cure any defaults of the Borrower as lessee under the Ground Lease, B) to preserve any rights of the Borrower whatsoever in respect of the Trust Property (or any part thereof or interest therein) or C), subject to HUD approval during the term of the Regulatory and Operating Agreement, to execute an extension or renewal (or exercise any option for such extension or renewal) of the Ground Lease as set forth below in this paragraph. Such power of attorney shall be irrevocable and shall be deemed to be coupled with an interest and granted for a valuable consideration. Notwithstanding the foregoing, the Beneficiary agrees that, except for the right and power under subsection (e)(2)(A) to cure any defaults of the Borrower as lessee under the Ground Lease, the power of attorney conferred upon Beneficiary by this subsection (e) shall not be exercisable without HUD's prior written consent so long as the Prior Mortgage remains a lien on the Trust Property and HUD is the owner or insurer of the Prior Mortgage.

[f] Estoppels. The Borrower shall, within ten (10) days of request by the Beneficiary, obtain from the lessor under the Ground Lease such certificates of estoppel with respect to compliance by the Borrower with the terms of the Ground Lease as may be requested by the Beneficiary.

[g] Options. [Intentionally Deleted].

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[h] Particular Provisions Not Limiting Generality. The generality of the provisions of this Section relating to the Ground Lease shall not be limited by other provisions of this Deed of Trust or any other agreement between the Beneficiary and the Borrower, except for the HUD Required Provisions Rider.

2.4 New Ground Lease. If the Ground Lease shall be terminated prior to the natural expiration of its term due to an event of default by Borrower under the Ground Lease, and if, pursuant to any provision of the Ground Lease, the Trustee, Beneficiary or any designee shall acquire, from the lessor under the Ground Lease, a new lease of the Land, then the Borrower shall have no right, title or interest in or to such new lease or the leasehold estate created thereby, or renewal privileges in such new lease.

2.5 No Merger. So long as any portion of the Indebtedness shall remain unpaid, and unless the Beneficiary shall otherwise consent, 1) the fee title to the Land, and 2) the Leasehold Estate in the Land created pursuant to the Ground Lease, shall not merge, but shall always be kept separate and distinct, notwithstanding the union of such estates in the Borrower or in any other person, by purchase, operation of law or otherwise. If the Trustee or the Beneficiary shall acquire the fee title to the Land and the Leasehold Estate created pursuant to the provisions of the Ground Lease, by foreclosure of this Deed of Trust or otherwise, such estates shall not merge as a result of such acquisition and shall remain separate and distinct for all purposes after such acquisition unless and until the Beneficiary shall elect in writing to merge such estates.

2.6 Estoppels. The Borrower, within ten (10) days after request by the Beneficiary and at the Borrower's expense, will furnish the Beneficiary with a statement, duly acknowledged and certified, setting forth the amount of the Indebtedness and the offsets or defenses thereto, if any.

2.7 Indemnification By Borrower. Notwithstanding anything in the Loan Documents to the contrary, but subject to the limitations set forth in Paragraph R-3 of the HUD Required Provisions Rider attached hereto, the Borrower shall, except to the extent arising due to the gross negligence or willful misconduct of the Trustee and Beneficiary, indemnify and hold the Trustee and the Beneficiary harmless, and defend the Trustee and the Beneficiary, at the Borrower's sole cost and expense, against all loss, liability, cost, expense (including, without limitation, reasonable attorneys' fees and disbursements of counsel to the Trustee and Beneficiary, whether in-house staff, retained firms or otherwise), and against all claims, actions, procedures, and suits, arising out of or in connection with:

[a] the Indebtedness, any of the Loan Documents, or any ongoing matter arising out of any Loan Document or any transaction contemplated by any Loan Document, including, but not limited to, all costs of appraisal or reappraisal of all or any portion of any collateral for the Indebtedness or of the granting by the Trustee or Beneficiary, in its sole and absolute discretion, of any subordination, nondisturbance, or other agreement; or

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[b] any amendment to, or restructuring of, the Indebtedness, or any of the Loan Documents; or

[c] any lawful action that may be taken by the Trustee or the Beneficiary in connection with the enforcement of the provisions of any of the Loan Documents (including, without limitation, the provisions of this indemnity), whether or not suit is filed in connection with the same, or in connection with:

- 1) the Borrower,
- 2) any Guarantor of all or any portion of the Indebtedness, or
- 3) any member, partner, joint venturer or shareholder of either the Borrower or any Guarantor,

becoming a subject of a voluntary or involuntary federal or state bankruptcy, insolvency or similar proceeding; or

[d] any other litigation relating to the Indebtedness or any Loan Document; or

[e] the past, present, or future sale (or offering for sale) of stock, partnership interests, or other equity interests in the Borrower; or

[f] any liability to brokers, finders or similar persons or under any applicable securities or blue sky laws.

All sums expended by the Trustee or Beneficiary on account of any loss, liability, cost, expense, claim, action, proceeding or suit (the "Indemnified Liabilities") shall be reimbursed by the Borrower to the Trustee and Beneficiary, on demand by the Trustee or Beneficiary, and until reimbursed by the Borrower pursuant hereto, shall be deemed additional Indebtedness evidenced by the Series2005B Owner Note and shall bear interest at the Default Rate. The obligations of the Borrower under this paragraph shall, notwithstanding any exculpatory or other provision of any nature whatsoever which may be set forth in this Deed of Trust or any of the other Loan Documents, constitute the personal recourse undertakings, obligations and liabilities of the Borrower.

2.8 Administrative Fees. The Borrower acknowledges and confirms that the Trustee and Beneficiary have imposed certain administrative, processing, commitment, and other fees (collectively called "Administrative Fees") in connection with each extension, renewal, modification, amendment, termination and administration of any of Borrower's loans or other business transactions and the release or substitution of collateral for any such loan or transaction (the occurrence of any such extension, renewal, modification, amendment, termination, administration, release, or substitution being called an "Administrative Change"). The Borrower hereby acknowledges and agrees to pay, immediately, with or without demand, all such Administrative Fees (as the same may be increased or decreased from time to time) relating to the Indebtedness or any Loan Document, and each additional fee of a similar type or nature which may be imposed by the Trustee or Beneficiary from time to time, upon the occurrence of any Administrative Change.

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2.9 Changes in Taxation of Deeds of Trust and Debts. In the event of the passage after the date of this Deed of Trust of any law deducting from the value of real property, for the purpose of taxation, any lien or encumbrance on such real property or changing in any way the laws for the taxation of mortgages or deeds of trust or debts secured by mortgages or deeds of trust for state or local purposes or the manner of the collection of any such taxes, and imposing a tax, either directly or indirectly, on the Indebtedness, or any Loan Document, then the Borrower shall, if permitted by law, pay any tax imposed as a result of any such law on or before the earlier to occur of (a) the last day for payment without penalty, or (b) within fifteen (15) days after demand by the Beneficiary. If, in the opinion of the attorneys for the Beneficiary, the Borrower is not permitted by law to pay such taxes, then the Beneficiary shall have the right, at its option, to declare the Indebtedness due and payable on a date specified in a Notice (defined below) to the Borrower, which date shall be not less than thirty (30) days after the date such Notice is given. Notwithstanding the foregoing, Beneficiary and Borrower will cooperate to the extent practicable and permitted by law to mitigate the financial impact of any such tax.

2.10 No Credit For Assessment; Application of Payments on Indebtedness. The Borrower will not claim or demand, or be entitled to, any credit or credits (on account of the Indebtedness) for any part of the Assessments (defined below) assessed against the Trust Property (or any part thereof or interest therein). No deduction shall otherwise be made or claimed by the Borrower from the taxable value of the Trust Property (or any part thereof or interest therein), by reason of this Deed of Trust or the Indebtedness. If at any time this Deed of Trust shall secure less than all of the principal amount of the Indebtedness, then each repayment of the principal amount of the Indebtedness shall be applied first against the portion of the Indebtedness which is not secured by this Deed of Trust until such portion has been completely satisfied.

2.11 Revenue Stamps. If at any time the United States of America, any state thereof, or any governmental subdivision of any such state, shall require revenue or other stamps to be affixed to any Loan Document, then the Borrower will, upon demand by the Trustee or Beneficiary, pay for such stamps, with interest and penalties thereon, if any, and affix them to such Loan Document (to the extent required by law).

2.12 Recording of Deed of Trust. The Borrower will cause: 1) this Deed of Trust and 2) each extension, modification, renewal or replacement of this Deed of Trust, and 3) each security instrument creating a lien or evidencing the lien of this Deed of Trust upon the Trust Property (or any part thereof or interest therein), and 4) each instrument of further assurance, to be filed, registered or recorded (immediately upon execution and delivery of each such document to the Borrower or its agents, but in any event within ten (10) days of such execution and delivery), in such manner and in such places as may be required by any present or future law in order to publish notice of and fully to protect, preserve and perfect the lien of this Deed of Trust upon, and the interests of the Trustee and Beneficiary in, the Trust Property. The Borrower will pay all title insurance fees and charges, all filing, registration and recording fees, and all expenses incident to the preparation, execution and acknowledgement of this Deed of Trust, each deed of trust or instrument supplemental hereto, each security instrument with respect to the Trust Property (or any part thereof or interest therein), and each instrument of further assurance, and all federal, state, county, municipal, and other governmental taxes, duties, imposts,

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assessments and charges arising out of or in connection with the Indebtedness or the execution and delivery of this Deed of Trust, each deed of trust or instrument supplemental hereto, each security instrument with respect to the Trust Property (or any part thereof or interest therein), and each instrument of further assurance, or other Loan Document (all such taxes, duties, imposts, assessments and charges being called the "Mortgage Taxes"). The Borrower shall hold harmless and indemnify the Trustee and the Beneficiary, and their respective successors and assigns, against all liability incurred by reason of the imposition of any such Mortgage Tax on the making and recording of this Deed of Trust.

2.13 Cooperation by Borrower. The Borrower will (at the cost of the Borrower, and without expense to the Trustee or Beneficiary), and provided that so long as the Prior Mortgage encumbers the Trust Property and HUD is the insurer or holder of the Prior Mortgage, the prior written consent of HUD and the holder of the Prior Mortgage is obtained, do, execute, acknowledge and deliver all such further acts, deeds, conveyances, deeds of trust, mortgages, assignments, notices of assignments, transfers and assurances as the Trustee or Beneficiary shall, from time to time, require for the better assuring, conveying, assigning, transferring and confirming to and unto the Trustee and Beneficiary, as applicable, the property and rights mortgaged and conveyed by this Deed of Trust or intended now or hereafter so to be, or which the Borrower may be or may hereafter become bound to convey or assign to the Trustee or Beneficiary, as applicable, or for carrying out the intention or facilitating the performance of the terms of any Loan Document or for filing, registering or recording this Deed of Trust.

2.14 Borrower's General Representations and Warranties

[a] Subject only to those exceptions to title (the "Permitted Exceptions") as are expressly approved by Beneficiary, the Borrower warrants that it is the owner of, and the holder of title to, the Trust Property.

[b] The Borrower also represents and warrants that: (1) the Borrower is now, and, after giving effect to this Deed of Trust, will be, both solvent and able to pay its debts as they come due, (2) there has been no material adverse change in the financial condition of the Borrower or any Guarantor of the Indebtedness since the date of the last financial statements of Borrower and Guarantor delivered to Beneficiary, (3) neither the Borrower, nor any Guarantor, is in default beyond any applicable notice and cure period under any note, loan or security agreement to which it is a party, and neither the Borrower, nor any Guarantor, is in default beyond any applicable notice and cure period in payment of any of its Indebtedness, (4) the execution and delivery of this Deed of Trust, and the granting of any lien or security interest, by the Borrower to the Trustee or Beneficiary, does not constitute a "fraudulent conveyance" within the meaning of Title 11 of the United States Code (the "Bankruptcy Code") as now constituted or under any other applicable statute, (5) no bankruptcy or insolvency proceeding is pending or contemplated by or against the Borrower or any Guarantor, (6) there is no existing, threatened or pending action or proceeding affecting the Trust Property (or any part thereof or interest therein), and (7) the Real Estate is not part of a larger tract of land owned or leased by the Borrower.

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[c] The Borrower (and each undersigned representative of the Borrower, if any) additionally represents and warrants that: (1) the Borrower has full power, authority and legal right to execute this Deed of Trust, and to mortgage, encumber, give, grant, bargain, sell, alien, enfeoff, convey, confirm and assign the Trust Property pursuant to the terms of this Deed of Trust and to keep and observe all of the terms of this Deed of Trust on the Borrower's part to be performed; (2) if the Borrower or, or any entity controlling or managing the Borrower, is a corporation, the Borrower and each such entity is a duly organized and presently existing corporation under the laws of the state where organized and is in good standing and authorized to do business in the State of Illinois and this Deed of Trust has been executed by authority of its board of directors and with the requisite consent of the holders of the outstanding shares of its capital stock entitled to vote thereon, if such consent is required under the provisions of the certificate of incorporation of the corporate Borrower or Managing General Partner, (3) if the Borrower is a partnership, the Borrower is a duly authorized and validly existing partnership under the laws of the state where organized and is in good standing and authorized to do business in the State of Illinois, and this Deed of Trust has been executed by the duly authorized Managing General Partner of such partnership, and (4) if the Borrower, or any entity controlling or managing the Borrower, is a limited liability company, then the Borrower and each such entity is a duly authorized and validly existing limited liability company under the laws of the state where organized and is in good standing and authorized to do business in the State of Illinois, and this Deed of Trust has been executed by a duly authorized member of such limited liability company.

2.15 No Brokers. The Borrower covenants and agrees that no brokerage commission or other fee, commission or compensation is to be paid by the Borrower or any other person on account of the Loan or any transaction between the Borrower and the Beneficiary. The Borrower agrees to indemnify the Beneficiary against all claims for any such fee, commission, or compensation.

2.16 Property and Liability Insurance

[a] The Borrower: (1) will keep the Improvements and the Tangible Personalty insured with all-risk coverage against loss or damage by fire, vandalism, malicious mischief and such other hazards (each such fire and other hazard being called a "Casualty") as the Beneficiary shall from time to time require, in amounts approved by the Beneficiary, which amounts shall in no event be less than one hundred per cent (100%) of the full replacement cost of the Improvements and the Tangible Personalty and shall be sufficient to meet all applicable co-insurance requirements, (2) during the rehabilitation of the Improvements, will keep and maintain "all risk" Builders Risk coverage (including, without limitation coverage against collapse and such other hazards as the Beneficiary may, from time to time, require) and written on a "completed value" - "non-reporting" form basis; and (3) will maintain liability, rental and business interruption insurance and such other forms of insurance coverage with respect to the Trust Property as the Beneficiary shall from time to time require in amounts approved by the Beneficiary. If any portion of the Real Estate or any interest therein is located in a federally designated "special flood hazard area," then a flood insurance policy shall also

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be delivered by the Borrower to the Beneficiary (all insurance policies required to be maintained by the Borrower pursuant to this Deed of Trust are collectively called the "Policies"). If no portion of the Real Estate is located in a federally designated "special flood hazard area," then such fact shall be substantiated by a certificate, in form satisfactory to the Beneficiary, from a licensed surveyor, appraiser or professional engineer or other qualified person, satisfactory to the Beneficiary, in accordance with all applicable laws and regulations.

[b] The Borrower shall at all times comply with, and shall cause both the Trust Property, and the use, occupancy, operation, maintenance, alteration, repair and restoration of the Trust Property, to comply with, the terms, conditions, stipulations and requirements of the Policies (all such terms, conditions, stipulations and requirements being called the "Insurance Requirements"). Each Policy shall be issued by an insurer having a minimum policy holders rating of "A" pursuant the latest rating publication of Property and Casualty Insurers by A.M. Best Company (or, in the absence of such publication, or if A.M. Best Company shall change its ratings or the standards for such ratings, or shall fail to publish them currently, or shall not maintain its current reputation, then each Policy shall be issued by an insurer having a minimum rating pursuant to such rating standards as may be designated by the Beneficiary in its sole discretion), at all times when such Policy is in effect. Each such insurer must be lawfully doing business in the State of Illinois and must otherwise be acceptable in all respects to the Beneficiary. All Policies shall, with respect to the Improvements, contain the standard mortgagee non-contribution clause endorsement in favor of Beneficiary (subject to the Beneficiary's approval in its sole discretion). All Policies shall, with respect to the remaining portion of the Trust Property, contain such endorsement to the extent such endorsement is available. To the extent that such endorsement is not available with respect to any such portion of the Trust Property, then the Policies shall contain, with respect to such portion, a lender's loss payable clause endorsement (subject to the Beneficiary's approval in its sole discretion), all naming the Beneficiary as the person to which all payments made by the insurer under such Policies shall be paid. All Policies shall otherwise be in form and substance satisfactory in all respects to the Beneficiary. Blanket insurance policies shall not be acceptable for the purposes of this Section 2.16 unless otherwise approved in writing to the contrary by the Beneficiary. Subject to the provisions of Section 2.18 of this Deed of Trust, the Borrower shall pay the premiums for the Policies as the same become due and payable. At the request of the Beneficiary, the Borrower will deliver the Policies to the Beneficiary. Not later than thirty (30) days prior to the expiration date of each Policy, the Borrower will deliver to the Beneficiary a renewal policy or policies (in replacement of such Policy) marked "premium paid" (with respect to the premium under such Policy for the next twelve month period) by the insurer issuing such Policy or accompanied by other evidence of payment of premium which is satisfactory to the Beneficiary. The insurer issuing each Policy must be obligated, pursuant to an endorsement or certificate satisfactory to the Beneficiary in its sole discretion, to give at least thirty (30) days prior written notice to the Beneficiary of the expiration, cancellation, termination, or modification of such Policy. If at any time the Beneficiary is not in receipt of written evidence that all insurance required under this Deed of Trust is in full force and effect, then the Beneficiary shall have the right, without notice to the

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Borrower, to take such action as the Beneficiary deems necessary to protect its interest in the Trust Property (or any part thereof or interest therein), including, without limitation, the obtaining of such insurance coverage as the Beneficiary in its sole discretion deems appropriate, and all expenses incurred by the Beneficiary in connection with such action or in obtaining such insurance and keeping it in effect shall be paid by the Borrower to the Beneficiary upon demand and until paid shall be secured by this Deed of Trust in accordance with the provisions of this Deed of Trust.

[c] If the Trust Property (or any part thereof or interest therein) shall be damaged or destroyed, in whole or in part, by fire or other hazard or casualty (such damage or destruction being called the "Damage"), then the Borrower shall give Notice of such Damage to the Beneficiary, within five (5) days after the date of the Damage, and the Borrower hereby authorizes and empowers the Beneficiary, at the Beneficiary's option and at the Beneficiary's sole discretion, as attorney-in-fact for the Borrower, to give notice of loss and make proof of loss, to adjust and compromise any claim under any Policy, to appear in and prosecute any action arising from any Policy, to collect and receive insurance proceeds and to deduct therefrom the Beneficiary's expenses incurred in the collection process, to endorse any checks, drafts or other instruments representing any proceeds of such insurance, whether payable by reason of loss under any Policy or otherwise, and to make any election required or permitted under any Policy relating to repair or restoration. All proceeds of insurance on account of any Damage, to the extent received by the Borrower, shall be deemed to have been received in trust for the Beneficiary, and shall be immediately paid by the Borrower to the Beneficiary. Any sums paid to the Beneficiary by any insurer may be retained and applied by the Beneficiary toward payment of the Indebtedness, whether or not then due and payable, in such order, priority and proportions as the Beneficiary in its discretion shall deem proper. Notwithstanding the foregoing Beneficiary shall, upon written request of Borrower, permit the application of insurance proceeds to rebuild or restore the Improvements, subject to the following conditions: (i) no Event of Default shall exist hereunder or under the Loan Agreement and no event or circumstance shall exist that, with notice or the passage of time or both, would constitute an Event of Default hereunder or under the Loan Agreement; (ii) no default shall exist under the Ground Lease and no event or circumstance shall exist that, with notice or the passage of time or both, would constitute a default under the Ground Lease; (iii) in the Beneficiary's reasonable judgment, the Improvements can be completed, restored or rebuilt, as the case may be, to a complete architectural unit of an equivalent value and utility as originally contemplated in the plans and specifications originally approved therefore; (iv) the insurance proceeds are in Beneficiary's reasonable judgment sufficient to complete such restoration or rebuilding or, if such proceeds are insufficient, Borrower has deposited with Beneficiary funds, which when added to the insurance proceeds, are sufficient in Beneficiary's reasonable judgment to completely rebuild or restore the Improvements; (v) in the judgment of Beneficiary, Borrower can complete all such repairs, restoration or reconstruction of the Improvements not later than ninety (90) days prior to the maturity date of the Series 2005B Owner Note; (vi) Beneficiary shall have the right to hold and disburse all funds necessary for such rebuilding or to approve disbursements of such insurance proceeds for any such rebuilding or restoration; (vi) Beneficiary shall have approved plans and

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specifications for any rebuilding or restoration, such approval not to be unreasonably withheld; and (vii) Borrower shall promptly commence the rebuilding or restoration of the Improvements following the occurrence of any such Damage and shall proceed diligently thereafter to completion. Borrower shall notify Beneficiary in writing within (60) days after the occurrence of any Damage affecting the Trust Property or any part thereof. Said written Notice shall specify whether Borrower intends to rebuild or restore the Improvements using insurance proceeds. If Borrower does not timely notify Beneficiary of its election to so use the insurance proceeds or cannot comply with the conditions set forth in this Section for the use of the insurance proceeds to rebuild or restore the Improvements, then at the discretion of the Beneficiary, any sums paid to the Beneficiary by any insurer, on account of any Damage, may be retained and applied by the Beneficiary toward payment of the Indebtedness, whether or not then due and payable, in such order, priority and proportions as the Beneficiary in its discretion shall deem proper.

[d] The provisions of this Deed of Trust are only for the benefit of the Borrower, Trustee and the Beneficiary, and no other party shall be a beneficiary of any provision of this Deed of Trust. Moreover, the Beneficiary shall have no obligation to supervise the disbursement of the proceeds of any Policy (or any Award, as defined below), and the Beneficiary shall have no liability if such proceeds are not applied, in whole or in part, to the restoration of any Casualty, or if the Award (defined below) is not applied to the restoration of any part of the Trust Property not taken by a Taking (defined below).

[e] Notwithstanding anything in this Section 2.16 to the contrary, in the event of a conflict between this Section and the provisions of the Prior Mortgage, then, so long as HUD is the insurer or holder of the Prior Mortgage, the terms of the Prior Mortgage shall govern and control until the discharge of the Prior Mortgage.

[f] Notwithstanding anything herein contained to the contrary, during any period that the Regulatory and Operating Agreement remains in effect, in the event of a conflict between subsection [c] of this Section 2.16 and the provisions of Article 8 of the Ground Lease, said Article 8 shall govern the application of insurance proceeds in the event of Damage to the Trust Property.

2.17 Real Estate Taxes. Subject to Section 2.18 of this Deed of Trust, the Borrower shall pay all taxes, assessments, water rates, sewer rents and other charges (including vault charges and license fees for the use of vaults, chutes and similar areas adjoining the Real Estate, and all special assessments and other assessments for local improvements, except that if any such assessment is payable in installments, then the Borrower need only pay, at any given time, the installments which are then due and payable) which are now due and payable, or which are now or hereafter levied or assessed against the Trust Property (or any part thereof or interest therein) (all such taxes, assessments, rates, rents, charges and fees being collectively called the "Assessments") prior to the date upon which any fine, penalty, interest or cost may be added to any such Assessment or imposed by law for the nonpayment of any such Assessment, and, upon the failure of the Borrower to pay any Assessment, the Beneficiary may, in its sole discretion,

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but shall not be obligated to, pay such Assessment (all such payments to be secured by this Deed of Trust pursuant to Section 5.21 of this Deed of Trust), and the Borrower shall reimburse the Beneficiary, upon demand by the Beneficiary, for such expenditures. The Borrower shall deliver to the Beneficiary (as and when payment is made of each Assessment) receipted bills, cancelled checks and other evidence satisfactory to the Beneficiary evidencing the payment of such Assessment prior to the date upon which any fine, penalty, interest or cost may be added thereto or imposed by law for the nonpayment of such Assessment.

2.18 Reserve Fund. After the rehabilitation of the Improvements has been Completed (as defined in the Loan Agreement), at Beneficiary's election, the Borrower will, at the option of the Beneficiary, pay to the Beneficiary, on the first day of each calendar month, one hundred five per cent (105%) of one-twelfth of the amount which would be sufficient to pay, during the one-year period commencing on such first day (such year being called the "Current Year"), the sum of 1) the Assessments, and 2) the premiums on all Policies (the "Insurance Premiums"), to the extent such Assessments and Insurance Premiums are payable, or, at the Beneficiary's option, are estimated by the Beneficiary to be payable, during the Current Year (the total monthly payment to the Beneficiary, pursuant to this sentence, at any given time, on account of the Assessments and the Insurance Premiums, is called the "Monthly Escrow Payments"). The Beneficiary will apply the amounts paid by the Borrower to the Beneficiary pursuant to the preceding sentences of this paragraph (such amounts held by the Borrower being called the "Reserve Fund") to the payment of Assessments and the Insurance Premiums which are required to be paid by the Borrower pursuant to the provisions of this Deed of Trust. If the Borrower shall ever be entitled to a refund of all or any portion of the Reserve Fund, then the Beneficiary may pay such refund to the person shown on the records of the Beneficiary to be the owner of the Trust Property (or any part thereof or interest therein), and may otherwise deal with such owner, even if such owner is not the original Borrower specified in this Deed of Trust. Until expended or applied as above provided, any amounts in the Reserve Fund may be commingled with the general funds of the Beneficiary and shall constitute additional security for the Indebtedness and shall not bear interest. Notwithstanding the foregoing, the Beneficiary will not require the Borrower to make deposits into the Reserve Fund, if, and to the extent that, such deposits are being made to the Prior Mortgagee in accordance with the requirements of the Prior Mortgage

2.19 Eminent Domain. Notwithstanding any taking by any public or quasi-public authority through eminent domain, change of grade, inverse condemnation, or other similar action (each such taking being called a "Taking"), the Borrower shall continue to pay the Indebtedness as provided in the Series 2005B Owner Note and this Deed of Trust. The Indebtedness shall not be reduced until and to the extent that any award or payment for any Taking (each such award or payment being called the "Award") shall have been actually received and applied by the Beneficiary to the discharge of the Indebtedness. The Beneficiary shall not be deemed to have applied any proceeds of the Award in reduction of the Indebtedness unless and until the Beneficiary has given Notice to the Borrower that the Beneficiary has applied such proceeds to the Indebtedness. Until such Notice is given with respect to such proceeds of the Award, then such proceeds, to the extent paid to the Beneficiary and held by it, shall be deemed to be held by the Beneficiary as additional security for the Indebtedness. The Beneficiary may apply the entire amount of any such Award to the discharge of the Indebtedness whether or not then due and payable in such order, priority and proportions as the Beneficiary in its discretion

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shall deem proper. The Beneficiary shall not be obligated to see to the proper application of any Award paid over to the Borrower. If the Trust Property (or any part thereof or interest therein) is sold, through foreclosure or otherwise, prior to the receipt by the Beneficiary of such Award, then the Beneficiary shall have the right, whether or not a deficiency judgment on the Series 2005B Owner Note shall have been sought, recovered or denied, to receive such Award. The Borrower shall pay over to the Beneficiary: 1) said Award as, if and when the Borrower receives such Award, together with 2) interest on such Award, whether or not a deficiency judgment on this Deed of Trust shall have been sought or recovered or denied, and 3) the reasonable attorney's fees, costs and disbursements incurred by the Beneficiary in connection with the collection of such Award. Notwithstanding the above, if the Award shall exceed the unpaid balance of the Indebtedness, then the Beneficiary shall be entitled to receive a portion of the Award which is sufficient to pay the Indebtedness. The Borrower shall file and prosecute its claim or claims for each Award in good faith and with due diligence and cause the same to be collected and paid over to the Beneficiary. The Borrower hereby irrevocably authorizes and empowers the Beneficiary, in the name of the Borrower or otherwise, to collect and receipt for each Award and to file and prosecute such claim or claims. The Borrower shall, upon demand of the Beneficiary, make, execute and deliver any and all assignments and other instruments sufficient for the purpose of assigning each Award to the Beneficiary, free and clear of all encumbrances of any kind or nature whatsoever. However, such assignments and other instruments shall not be necessary in order to establish the Beneficiary's rights to any Award.

Notwithstanding the foregoing Beneficiary shall, upon written request of Borrower, permit the proceeds of any Award to be applied to rebuild or restore the Trust Property and the Improvements, subject to the following conditions: (i) no Event of Default shall exist hereunder or under the Loan Agreement and no event or circumstance shall exist that, with notice or the passage of time or both, would constitute an Event of Default hereunder or under the Loan Agreement; (ii) no default shall exist under the Ground Lease and no event or circumstance shall exist that, with notice or the passage of time or both, would constitute a default under the Ground Lease; (iii) in the Beneficiary's reasonable judgment, the Trust Property can be completed, restored or rebuilt, as the case may be, to a complete architectural unit of an equivalent value and utility as originally contemplated in the plans and specifications originally approved therefore; (iv) the net proceeds of the Award are in Beneficiary's reasonable judgment sufficient to complete such restoration or rebuilding or, if such proceeds are insufficient, Borrower has deposited with Beneficiary funds, which when added to the net proceeds of the Award, are sufficient in Beneficiary's reasonable judgment to completely rebuild and restore the Trust Property; (v) in the judgment of Beneficiary, Borrower can complete all such repairs, restoration or reconstruction of the Improvements within not later than ninety (90) days prior to the maturity date of the Series2005B Owner Note; (vi) Beneficiary shall have the right to hold and disburse all funds necessary for such rebuilding or to approve disbursements of such net proceeds of the Award available for any such rebuilding or restoration; (vi) Beneficiary shall have approved plans and specifications for any rebuilding or restoration, such approval not to be unreasonably withheld; and (vii) Borrower shall promptly commence the rebuilding or restoration of the Trust Property following any such Taking and shall proceed diligently thereafter to completion. Borrower shall notify Beneficiary in writing within (60) days after the Borrower is first notified of a proposed Taking by the exercise of condemnation or eminent domain affecting the Trust Property or any part thereof. Said written notice shall specify whether Borrower intends to rebuild or restore the

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Trust Property using the net proceeds of such Award. If Borrower does not timely notify Beneficiary of its election to so use the net proceeds of such Award or cannot comply with the conditions set forth in this Section for the use of the net proceeds of such Award to rebuild or restore the Trust Property, then Beneficiary may apply such net proceeds of such Award to the Indebtedness at the discretion of the Beneficiary, as provided in the first paragraph of this Section.

Notwithstanding anything in this Section 2.19 to the contrary, in the event of a conflict between this Section and the provisions of the Prior Mortgage, then, so long as HUD is the insurer or holder of the Prior Mortgage, the terms of the Prior Mortgage shall govern and control until the discharge of the Prior Mortgage.

Notwithstanding anything herein contained to the contrary, during any period that the Regulatory and Operating Agreement remains in effect, in the event of a conflict between this Section 2.19 and the provisions of Article 12 of the Ground Lease, said Article 12 shall govern the application of the proceeds of an Award in the event of a Taking of all or a portion of the Trust Property.

2.20 Leases and Tenancies. Effective upon the recordation of this Deed of Trust, Borrower hereby irrevocably, absolutely, presently and unconditionally assigns, transfers, and sets over to Beneficiary all of Borrower's right, title and interest in, to and under any and all existing and future Leases, together with all amendments, extensions, renewals, or modifications thereof, and any and all guaranties of, and security for, lessees' performance under any and all such Leases and all Rents thereunder. Beneficiary hereby confers upon Borrower a license to collect and retain the Rents as they become due and payable, so long as no Event of Default shall exist and be continuing. Subject to the terms of this Section 2.20, the Trustee and the Beneficiary waive the right to enter the Trust Property for the purpose of collecting the Rents, and grants the Borrower the right to collect the Rents and to lease the Trust Property. The Borrower shall hold the Rents in trust for use in payment of the Indebtedness, provided, however, that prior to an Event of Default, the Borrower may apply the Rents held by the Borrower at any given time, first, to all amounts which are due and payable on account of the Indebtedness at such time, second, to all expenses accruing with respect to the Trust Property, third, to the payment of all other liabilities of the Borrower, to the extent then due and payable, and then fourth, to the Borrower. The right of the Borrower to collect the Rents and to lease or sublease the Trust Property (or any part thereof or interest therein) may be revoked by the Beneficiary upon any Event of Default under the terms of this Deed of Trust, the Series2005B Owner Note or any other Loan Document. Thereafter, the Beneficiary may let the Trust Property (or any part thereof or interest therein) and may retain and apply the Rents toward payment of the Indebtedness in such order, priority and proportions as the Beneficiary, in its discretion, shall deem proper, or toward the operation, maintenance and repair of the Trust Property (or any part thereof or interest therein), and irrespective of whether the Beneficiary shall have commenced a foreclosure of this Deed of Trust or shall have applied or arranged for the appointment of a receiver. The Beneficiary shall give to the Borrower Notice of such revocation of the right to let and collect the Rents within a reasonable time after such revocation. Notwithstanding the foregoing, the Beneficiary agrees that the rights and benefits conferred upon Beneficiary by the preceding sentences of this Section 2.20 shall not be exercisable without HUD's prior written

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consent so long as the Prior Mortgage remains a lien on the Trust Property and HUD is the owner or insurer of the Prior Mortgage. The Borrower represents, warrants, and covenants that, on or before the date of this Deed of Trust, the Borrower has not, except as set forth on Schedule B to this Deed of Trust: 1) made, or suffered to be made, any lease or sublease of the Real Estate or any part thereof, or 2) modified any lease or sublease relating to the Real Estate, or 3) cancelled or terminated any lease or sublease relating to the Real Estate, or 4) accepted any prepayment of any Rents for a period of more than one (1) month in advance of the date when such Rents are due and payable, or 5) further assigned the whole or any part of the Rents or any lease or sublease relating to the Real Estate. On and after the date of this Deed of Trust, the Borrower shall not, without the prior written consent of the Borrower: A) make, or suffer to be made, any lease or sublease relating to the Real Estate, except residential tenant leases in the ordinary course of business and in compliance with the requirements of any covenants, conditions and restrictions of record relating to the Real Estate, or B) modify any lease or sublease relating to the Real Estate, except in the ordinary course of business and in compliance with the requirements of any covenants, conditions and restrictions of record relating to the Real Estate, or C) cancel or terminate any lease or sublease relating to the Real Estate, except in the ordinary course of business and in compliance with the requirements of any covenants, conditions and restrictions of record relating to the Real Estate, or D) accept any prepayment of any Rents for a period of more than one (1) month in advance of the date when such Rents are due and payable, or E) further assign the whole or any part of the Rents or any Lease, except for collateral assignments to secure Additional Funding Sources (as defined in the Loan Agreement). The Borrower shall (i) fulfill or perform each and every material provision of the tenant leases or subleases relating to the Real Estate on the part of the Borrower to be fulfilled or performed, (ii) promptly send to the Beneficiary copies of each notice of default which the Borrower shall send or receive under each such lease or sublease relating to the Real Estate, and (iii) enforce, short of termination of any such lease or sublease relating to the Real Estate, the performance or observance of the provisions of such lease or sublease relating to the Real Estate by the tenant under such Lease. All leases or sublease relating to the Real Estate (or any part thereof or interest therein) shall, at the election of the Beneficiary, be subject and subordinate to this Deed of Trust. The Borrower shall from time to time, but not less frequently than once every month, provide to the Beneficiary a complete and detailed leasing status report with respect to the Real Estate, which leasing status report is required to be in form and substance satisfactory in all respects to the Beneficiary. Nothing contained in this Section 2.20 shall be construed as imposing on the Beneficiary any of the obligations of the lessor under the leases or sublease relating to the Real Estate.

Borrower also assigns its rights and interests under the Regulatory and Operating Agreement, including, without limitation, its interest in the Operating Subsidy (as defined in the Regulatory and Operating Agreement) provided for thereunder. Notwithstanding anything to the contrary contained in this Deed of Trust, the Operating Subsidy is assigned only to the extent permitted by the Regulatory and Operating Agreement and the Tenant Housing Payments (as defined in the Regulatory and Operating Agreement) are excluded from this assignment to the extent that such Tenant Housing Payments constitute the property of the Ground Lessor pursuant to the Regulatory and Operating Agreement.

2.21 Financial Records and Statements

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[a] The Borrower will keep and maintain, or will cause to be kept and maintained, on a fiscal year basis in accordance with generally accepted accounting principles consistently applied, proper and accurate books, records and accounts reflecting all of the financial affairs of the Borrower and all items of income and expense in connection with: 1) the operation of the Trust Property or 2) any services, equipment or furnishings provided in connection with the operation of the Trust Property, whether such income or expense be realized by the Borrower or by any other person whatsoever (excepting lessees unrelated to and unaffiliated with the Borrower who have leased from the Borrower portions of the Real Estate for the purpose of occupying the same). The Beneficiary shall have the right from time to time, upon at least twenty-four (24) hours prior telephonic notice, at all times during normal business hours to examine such books, records and accounts at the office of either the Borrower or such other person maintaining such books, records and accounts, and to make copies or extracts of such books, records and accounts as the Beneficiary shall desire.

[b] The Borrower will furnish the Beneficiary annually, within sixty (60) days next following the end of each fiscal year of the Borrower, with a complete executed copy of an annual financial statement, on the Borrower's standard form of such statement, which has been prepared by, and certified (as being in accordance with generally accepted accounting principles) by, an officer of Borrower's Managing General Partner, covering the operation of the Trust Property for such fiscal year and containing a fully itemized statement of profit and loss and of surplus and a balance sheet, and otherwise in form and substance satisfactory to the Beneficiary. Together with each such financial statement, the Borrower shall furnish to the Beneficiary an affidavit signed by the an officer of the Borrower's Managing General Partner attesting on the date of such affidavit that: (i) such financial statement is true, complete and accurate and (ii) that there does not exist an event which constitutes, or which upon notice or lapse of time or both would constitute, a default or an Event of Default under this Deed of Trust or, if such default or Event of Default exists, the nature of such Event of Default and the period of time it has existed (an "Affidavit"). The Borrower shall furnish to the Beneficiary, within ten (10) days after request from the Beneficiary, such further detailed financial and other information (including, but not limited to, financial statements), as may be requested by the Beneficiary, with respect to each of the following: the Trust Property, the Borrower, each Guarantor, and each affiliate of, and each entity controlled by, the Borrower or any Guarantor, as of a date not earlier than that specified by the Beneficiary in such request, together with an Affidavit with respect to such further detailed financial and other information.

2.22 Sale, Transfer or Encumbrance By Borrower. Neither the Trust Property (nor any part thereof nor any interest therein), nor any interest in the Borrower or any general partner or managing member of the Borrower (whether partnership, stock, equity, beneficial, profit, loss or otherwise), shall in any manner, directly or indirectly, be further encumbered, sold, transferred, assigned or conveyed, or permitted to be further encumbered, sold, transferred, assigned or conveyed, without the prior written consent of the Beneficiary. The above provisions of this Section 2.22 shall apply to each and every such further encumbrance, sale,

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transfer, assignment or conveyance, regardless of whether or not the Beneficiary has consented to, or waived by its action or inaction its rights under this Deed of Trust with respect to, any particular encumbrance, sale, transfer, assignment or conveyance, and irrespective of whether such further encumbrance, sale, transfer, assignment or conveyance is voluntary, by reason of operation of law or is otherwise made. In addition, the Borrower shall not, without the Beneficiary's prior written consent, 1) permit the transfer or issuance of any stock or other equity interest in the Borrower, 2) merge or consolidate with any other party or entity, 3) liquidate or dissolve itself (or suffer any liquidation or dissolution), or 4) acquire by purchase or otherwise all or substantially all the business or assets of, or any stock or other evidence of beneficial ownership of, any entity. If the Borrower is a partnership or other noncorporate entity, the Borrower shall not dissolve or terminate or materially amend the terms of its partnership agreement, operating agreement, or other agreement with the holders of equity interests. Notwithstanding anything herein to the contrary herein contained, the removal of the Borrower's Managing General Partner by the Administrative General Partner in accordance with the rights of such Administrative General Partner under the Borrower's partnership agreement and the replacement of such Managing General Partner with any person other than the Administrative General Partner shall be subject to the prior written consent of Beneficiary, not to be unreasonably withheld. The withdrawal, removal or replacement of Investor Limited Partner or the transfer of any interest in the Investor Limited Partner or the transfer of the Investor Limited Partner's limited partnership interest in Borrower shall require the Beneficiary's prior written consent, exercisable in its sole discretion.

2.23 Maintenance and Repairs; Compliance with Laws and Recorded Documents

[a] The Borrower shall cause the Trust Property to be maintained in good condition and repair and, to the extent of any renovations that are made by the Borrower, the same shall be made in compliance with the requirements of all governmental authorities having jurisdiction over the Trust Property. The Borrower will not commit or suffer to be committed any waste of the Trust Property (or any part thereof or interest therein). The Improvements and the Tangible Personalty shall not be removed, demolished or materially altered (except for: 1) normal replacement of the Tangible Personalty and 2) renovations contemplated to be made by the Borrower with the approval of the Beneficiary and, if required by the Beneficiary, in substantial accordance with plans and specifications which have been approved in writing by the Beneficiary), without the prior written consent of the Beneficiary. Subject to the preceding provisions of this paragraph, the Borrower shall, at its expense, promptly repair, replace or rebuild all Damage (including, without limitation, all damage from any Casualty for which insurance was not obtained or obtainable). Subject to the preceding provisions of this paragraph, the Borrower shall also, at its expense, restore the Trust Property after each Taking so that the remaining portion of the Trust Property (which remains after such Taking) may continue to be used (to the extent practicable) for the purposes for which such portion of the Trust Property was used (in compliance with this Deed of Trust) immediately prior to such Taking. The Borrower shall complete and pay for, within a reasonable time (but not later than any applicable completion date provided in the Loan Documents, as defined below, or applicable laws), each structure and other improvement at any time in the process of construction or repair on the Real Estate. The Beneficiary

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agrees that the proceeds of the Award made with respect to any such Taking may be applied to repair, replace or rebuild all Damage to the Trust Property if all of the conditions contained in the second paragraph of Section 2.19 hereof are satisfied.

[b] The Borrower represents and warrants that the Trust Property is currently in compliance with, and the Borrower shall in the future promptly comply in all material respects with, all existing and future governmental laws, orders, ordinances, rules and regulations affecting the Trust Property or its use (or any part thereof or interest therein), including specifically, but not limited to, provisions of the Americans with Disabilities Act (all such laws, orders, ordinances, rules and regulations being called "Legal Requirements"). The Borrower shall comply in all material respects with the requirements of all (and shall not modify, amend or terminate any) easements and restrictive covenants which from time to time affect the Trust Property (or any part thereof or interest therein). The Borrower shall also comply with all requirements of (and to the extent reasonably within the Borrower's control, maintain, preserve, enforce and renew) all rights of way, easements, grants, privileges, licenses, franchises, restrictive covenants, recorded instruments, and other agreements which from time to time benefit or pertain to the Trust Property (or any part thereof or interest therein). The Borrower shall not modify, amend or terminate, or surrender any of its rights under the Ground Lease or any of such rights of way, easements, grants, privileges, licenses, franchises or restrictive covenants. The Borrower will not, without obtaining the prior written consent of the Beneficiary, initiate, join in or consent to any new private restrictive covenant, zoning ordinance, vacation, dedication, subdivision or other public or private restrictions, limiting or affecting the uses which may be made of the Trust Property (or any part thereof or interest therein). The Borrower will not alter the use of the Trust Property (or any part thereof or interest therein) without the prior written consent of the Beneficiary. The Borrower shall not permit the Trust Property or any part thereof to be used to qualify for fulfillment of any municipal or other governmental requirements for the construction or maintenance of any building, structure, or other improvement on premises not mortgaged and encumbered under this Deed of Trust; and Borrower hereby assigns to Beneficiary all rights to consent to such use. No building or other improvement now or hereafter constructed on the Trust Property shall rely on any premises not mortgaged and encumbered under this Deed of Trust in order to qualify for fulfillment of any municipal or other governmental requirements. The Borrower shall not impair, or permit impairment of, the integrity of the Trust Property as a single zoning lot or lots separate and apart from other premises. Any attempt by Borrower to violate any of the provisions of this paragraph shall be void.

2.24 Environmental Rules

[a] For the purposes of this Section 2.24 the following terms shall have the following meanings: (i) the term "Hazardous Substance" shall mean any material or substance that, whether by its nature or use, is now or hereafter defined or regulated as a hazardous waste, hazardous substance, pollutant or contaminant under any Environmental Rule, or which is toxic, explosive, corrosive, flammable, infectious, radioactive, carcinogenic, mutagenic or otherwise hazardous or which is or contains

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petroleum, gasoline, diesel fuel, another petroleum hydrocarbon product, asbestos, asbestos-containing materials or polychlorinated biphenyls, but shall not include the normal use in accordance with applicable Environmental Rules of building materials and products routinely used in the construction and rehabilitation of multi-family residential buildings. (ii) the "Environmental Rules" shall collectively mean all present and future laws, statutes, common law, ordinances, rules, regulations, orders, codes, licenses, permits, decrees, judgments, directives (or the equivalent) of or by any Public Body and relating to or addressing the protection of the environment or human health or safety, including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (42 U.S.C. Sections 9601, et seq.), the Hazardous Materials Transportation Act, as amended (49 U.S.C. Sections 1801 et seq.), and the Resource Conservation and Recovery Act, as amended (42 U.S.C. Sections 6901, et seq.), and the regulations adopted and publications promulgated pursuant thereto and (iii) the term "Public Body" shall include each of the following: 1) the federal government, 2) any state or local government or any political subdivision of any state or local government, or 3) any agency, court or body of either the federal government, or any state or local government or any other political subdivision of any state or local government, exercising executive, legislative, judicial, regulatory or administrative functions.

[b] The Borrower hereby represents and warrants to the Beneficiary that, except as disclosed in that certain Phase I Environmental Site Assessment prepared by EMG dated May 11, 2005 and known as Project 123693, (i) no Hazardous Substance is currently located at, on, in, under or about the Trust Property (or any part thereof or interest therein), (ii) no releasing, emitting, discharging, leaching, dumping, disposing or transporting of any Hazardous Substance from the Trust Property (or any part thereof or interest therein) onto any other property or from any other property onto or into the Trust Property (or any part thereof or interest therein) has occurred or is occurring in violation of any Environmental Rule, (iii) no notice of violation, non-compliance, liability or potential liability, lien, complaint, suit, order or other notice with respect to the Trust Property (or any part thereof or interest therein) is presently outstanding under any Environmental Rule, nor does the Borrower have knowledge or reason to believe that any such notice will be received or is being threatened, and (iv) the Trust Property and its operation are in full compliance with all Environmental Rules.

[c] The Borrower shall comply, and shall cause each tenant and other occupant of the Trust Property (or any part thereof or interest therein) to comply, in all respects with all Environmental Rules, and will not generate, store, handle, process, dispose of or otherwise use, and will not permit any tenant or other occupant of the Trust Property (or any part thereof or interest therein) to generate, store, handle, process, dispose of or otherwise use, Hazardous Substances at, in, on, or about the Trust Property (or any part thereof or interest therein) in a manner that could lead or potentially lead to the imposition on the Borrower, the Trustee, the Beneficiary or the Trust Property (or any part thereof or interest therein) of any liability or lien of any nature whatsoever under any Environmental Rule. The Borrower shall notify the Beneficiary promptly in the event of any spill or other release of any Hazardous Substance at, in, on, under or about the Trust

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Property (or any part thereof or interest therein) which is required to be reported to a Public Body under any Environmental Rule, will promptly forward to the Beneficiary copies of each notice received by the Borrower relating to any alleged violation of any Environmental Rule or any potential liability under any Environmental Rule. The Borrower will promptly pay when due each fine or assessment against the Borrower, the Trustee, the Beneficiary or the Trust Property (or any part thereof or interest therein) relating to any Environmental Rule. If at any time: 1) the operation or use of the Trust Property (or any part thereof or interest therein) is in violation of any applicable Environmental Rule, or 2) there is any Hazardous Substance located at, in, on, under or about the Trust Property (or any part thereof or interest therein) in a manner which violates any applicable Environmental Rule or 3) there is any Hazardous Substance located at, in, on, under or about the Trust Property (or any part thereof or interest therein) which, under any Environmental Rule, requires special handling in collection, storage, treatment or disposal, or any form of cleanup or corrective action, then the Borrower shall, within thirty (30) days after receipt of notice (of any condition or matter specified in 1)-3) of this sentence) from any Public Body or from the Beneficiary, take, at the Borrower's sole cost and expense, such actions as may be necessary to comply fully in all respects with all Environmental Rules, provided, however, that if such compliance cannot reasonably be completed within such thirty (30) day period, then the Borrower shall commence such necessary action within such thirty (30) day period and shall, within ninety (90) days thereafter, diligently and expeditiously proceed to comply fully in all respects, and in a timely fashion, with all Environmental Rules.

[d] If the Borrower fails to take, on a timely basis, or to proceed, diligently and expeditiously, to complete in a timely fashion, any action which the Borrower is obligated to take pursuant to Section 2.24[c] of this Deed of Trust, then the Beneficiary may, in its sole and absolute discretion, make one or more advances or payments relating to the performance or satisfaction of such obligations of the Borrower, but the Beneficiary shall in no event be under any obligation to do so. Each sum advanced or paid by the Beneficiary pursuant to this paragraph (including, without limitation, reasonable counsel and consultant fees and expenses, investigation and laboratory fees and expenses, and fines or other penalty payments) and each sum advanced or paid in connection with any judicial or administrative investigation or proceeding relating: 1) to any Hazardous Substance at or in the Trust Property (or any part thereof or interest therein) or 2) to any action which the Borrower is obligated to take pursuant to Section 2.24[c] of this Deed of Trust, will immediately, upon demand by the Beneficiary, become due and payable from the Borrower and shall bear interest at the Default Rate from the date such sum is so advanced or paid by the Beneficiary until the date such sum is repaid by the Borrower to the Beneficiary. The Borrower will, subject to the prior written approval of HUD and the holder of the Prior Mortgage so long as HUD is the insurer or holder of the Prior Mortgage and the Prior Mortgage remains a lien on the Trust Property, execute and deliver, promptly upon request, such instruments as the Beneficiary may deem useful or necessary to permit the Beneficiary to take any action which the Beneficiary is permitted to take pursuant to this Deed of Trust, and such additional notes and security instruments, as the Beneficiary may require to secure all sums which are advanced or paid by the Beneficiary pursuant to this Deed of Trust. If a lien is filed

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against the Trust Property (or any part thereof or interest therein) by any Public Body resulting from the need to expend or the actual expending of monies arising from an action or omission, whether intentional or unintentional, of the Borrower or for which the Borrower is responsible, resulting in the releasing, spilling, leaking, leaching, pumping, emitting, pouring, emptying or dumping of any Hazardous Substance into the waters or onto land located within or without any state where the Trust Property (or any part thereof or interest therein) is located, then the Borrower will, within thirty (30) days from the date that the Borrower is first given notice that such lien has been placed against the Trust Property (or any part thereof or interest therein), or within such shorter period of time as may be specified by the Beneficiary if such Public Body has commenced steps to cause the Trust Property (or any part thereof or interest therein) to be sold pursuant to such lien, either (a) pay the claim of such Public Body and remove such lien, or (b) furnish a cash deposit, bond, or such other security with respect to such lien as is satisfactory in all respects to the Beneficiary and is sufficient to effect a complete discharge of such lien on the Trust Property.

[e] The Beneficiary may, at its option, if the Beneficiary reasonably believes that a Hazardous Substance or other environmental condition violates or threatens to violate any Environmental Rule, cause an environmental audit of the Trust Property (or any part thereof or interest therein) to be conducted, at the Borrower's expense, to confirm the Borrower's compliance with the provisions of this Deed of Trust. The Borrower shall cooperate in all reasonable ways with the Beneficiary in connection with any such audit.

[f] If this Deed of Trust is foreclosed, or if the Trust Property (or any part thereof or interest therein) is sold pursuant to this Deed of Trust, or if the Borrower tenders a deed (or assignment) in lieu of foreclosure or sale with respect to the Trust Property (or any part thereof or interest therein) pursuant to terms which have been agreed to in writing by the Beneficiary, then the Borrower covenants that it shall deliver the Trust Property (or the part or interest that is foreclosed, sold, or transferred as provided above in this paragraph) to the purchaser at such foreclosure or sale or to the Beneficiary, its nominee, or wholly-owned subsidiary, as designated by the Beneficiary in its sole discretion, in a condition that complies in all respects with all Environmental Rules.

[g] The Borrower will defend, indemnify, and hold harmless the Trustee, the Beneficiary (except to the extent arising out of or resulting solely from Beneficiary's gross negligence or willful misconduct) and their respective successors and assigns and each of their respective co-lenders, participants, employees, agents, officers, directors, members, partners, shareholders, and holders of equity interests (all persons and entities specified above in this paragraph being called collectively the "Holder Parties"), from and against each claim, demand, penalty, cause of action, fine, liability, settlement, damage, cost, or expense of whatever kind or nature, known or unknown, foreseen or unforeseen, contingent or otherwise (including, without limitation, reasonable counsel and consultant fees and expenses, investigation and laboratory fees and expenses, court costs, and litigation expenses) arising out of, or in any way related to, (i) any breach by the

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Borrower of any of the provisions of this Section 2.24, (ii) the presence, disposal, spillage, discharge, emission, leakage, release, or threatened release of any Hazardous Substance which is at, in, on, under, about, from or affecting the Trust Property (or any part thereof or interest therein), including, without limitation, any damage or injury resulting from any such Hazardous Substance to or affecting the Trust Property or the soil, water, air, vegetation, buildings, personal property, persons or animals located on the Trust Property or on any other property or otherwise, (iii) any personal injury (including, without limitation, wrongful death) or property damage (real or personal) arising out of or related to any such Hazardous Substance, (iv) any lawsuit brought or threatened, settlement reached, or order or directive of or by any Public Body relating to such Hazardous Substance, or (v) any violation of any Environmental Rule or any policy or requirement of the Beneficiary under this Deed of Trust. The indemnification provided in this paragraph shall, notwithstanding any exculpatory or other provision of any other document or instrument now or hereafter executed and delivered in connection with the Loan, constitute the personal recourse undertakings, obligations and liabilities of the Borrower.

[h] The obligations and liabilities of the Borrower under this Section 2.24 shall survive and continue in full force and effect and shall not be terminated, discharged or released, in whole or in part, irrespective of whether the Indebtedness has been paid in full and irrespective of any foreclosure of this Deed of Trust, sale of the Trust Property pursuant to the provisions of this Deed of Trust or acceptance by the Beneficiary, its nominee or affiliate of a deed or assignment in lieu of foreclosure or sale and irrespective of any other fact or circumstance of any nature whatsoever. However, so long as HUD is the insurer or the holder of the Prior Mortgage, the HUD Required Provisions Rider shall apply with respect to the Application of this Section 2.24 following any termination, discharge or release of this Deed of Trust.

2.25 Compliance With Loan Documents. The Borrower shall observe and perform each of the terms, covenants and provisions contained in any of the Loan Documents.

2.26 Inspection. The Beneficiary and its agents shall have the right to enter and inspect the Trust Property (or any part thereof or interest therein) at all reasonable times for the purposes of performing an appraisal, observing the work of construction and rehabilitation of the Improvements, examining all materials, plans, specifications, working drawings and other matters relating to the construction. For purposes of these site visits, Borrower must maintain at all times a full set of working drawings at the Real Estate. Beneficiary has the right to examine, copy and audit the books, records, accounting data and other documents of Borrower and its contractors relating to the Real Estate or construction and rehabilitation of the Improvements. In each instance, Beneficiary will give Borrower reasonable notice before entering the Real Estate and make reasonable efforts to avoid interfering with Borrower's use of the Real Estate when exercising any of the rights granted in this Section. If Beneficiary in its reasonable judgment determines that any work or materials fail to conform to the approved plans and specifications or sound building practices, or that they otherwise depart from any of the requirements of this Deed of Trust or the Loan Agreement, Beneficiary may require the work to be corrected and withhold disbursements until the matter is corrected. If this occurs, Borrower must correct the work to

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Beneficiary's satisfaction promptly and halt all other work pending completion of such corrective work. Beneficiary has no duty to visit the Real Estate, to supervise or observe construction or to examine any books or records. Any site visit, observation or examination by Beneficiary is solely for the purpose of protecting Beneficiary's rights and interests. No site visit, observation or examination by Beneficiary will impose any liability on Beneficiary or result in a waiver of any default of Borrower or be a representation that Borrower is or will be in compliance with the approved plans and specifications, that the construction is free from defective materials or workmanship, or that the construction complies with all applicable laws, ordinances and regulations and other legal requirements. Neither Borrower nor any other party is entitled to rely on any site visit, observation or examination by Beneficiary. Beneficiary owes no duty of care to protect Borrower or any other party against, or to inform Borrower or any other party of, any negligent or defective design or construction and rehabilitation of the Improvements or any other adverse condition affecting the Trust Property.

2.27 Borrower as Single Purpose Entity. The Borrower represents, warrants and covenants that, as of the date of this Deed of Trust, and until such time as: 1) the Indebtedness is paid in full, and 2) the Deed of Trust is released and satisfied:

[a] the Borrower does not own and will not own any encumbered asset other than (i) the Trust Property, and (ii) incidental personal property necessary for the operation of the Trust Property;

[b] the Borrower and its Managing General Partner, each was organized solely for the purpose of the ownership, management and operation of the Trust Property;

[c] neither of the Borrower, nor its Managing General Partner is engaged in any business other than the ownership, management and operation of the Trust Property and neither will engage in any business other than the ownership, management and operation of the Trust Property;

[d] the Borrower has not incurred and will not incur, guarantee or assume any debt, secured or unsecured, direct or contingent, other than (i) the Loan, (ii) the other indebtedness contemplated or permitted by the Loan Agreement and (iii) indebtedness incurred in the ordinary course of business of the Borrower which is paid within 60 days of the date such indebtedness is incurred.

2.28 Tax Credit Covenants. Borrower hereby agrees to comply with all of the following covenants (each, a "Tax Credit Covenant"):

[a] To observe and perform all obligations imposed on Borrower in connection with the Tax Credits, including the obligation to have the Improvements "placed in service" (within the meaning given in Section 42 of the Internal Revenue Code) in a timely manner; and to operate the residential units of the Real Estate, and to use Borrower's best efforts to cause all appropriate parties to operate the same, in accordance with all requirements, statutes, and regulations governing the Tax Credits;

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[b] To preserve at all times the allocation and availability of the Tax Credits;

[c] Not to release, forego, alter, amend, or modify its rights to the Tax Credits without Beneficiary's prior written consent, which Beneficiary may give or withhold in Beneficiary's sole and absolute discretion;

[d] Not to execute any residential lease of all or any portion of the Real Estate which does not comply fully with all requirements, statutes, and regulations governing the Tax Credits, without Beneficiary's prior written consent, which Beneficiary may give or withhold in Beneficiary's sole and absolute discretion;

[e] To cause to be kept all records, and cause to be made all elections and certifications, pertaining to the number and size of apartment units, occupancy thereof by tenants, income level of tenants, set-asides for low-income tenants, and any other matters now or hereafter required to qualify for and maintain the Tax Credits in connection with the low-income occupancy of the Real Estate;

[f] To comply with the appropriate minimum low-income set-aside requirements under the Code or applicable federal regulations (the "Federal Laws"), tax credit reservations and all Illinois laws and regulations (the "State Laws") applicable to the creation, maintenance and continued availability of the Tax Credits;

[g] To certify compliance with the set-aside requirements and report the dollar amount of qualified basis and maximum applicable percentage, date of placement in service and any other information required for the Tax Credits at such time periods as required by Federal Laws, tax credit reservations or State Laws for such Tax Credits;

[h] To set aside the appropriate number of units for households with incomes meeting the required standards of the median income of the county in which the Real Estate is located to qualify for the Tax Credits (as determined pursuant to Section 42 of the Code and/or State Laws), adjusted for family size, and to operate and maintain all such units as "low-income units" qualifying for the Tax Credits under Section 42(i)(3) of the Code and/or State Laws;

[i] To exercise good faith in all activities relating to the operation and maintenance of the Property in accordance with the requirement of Federal Laws and State Laws; and

[j] To promptly deliver to Beneficiary true and correct copies of all notices or other documents or communications received or given by Borrower with regard to or relating in any way material to the Beneficiary's security interest in Borrower's partnership interests and/or the availability or value of the Tax Credits. Immediately upon receipt thereof, Borrower shall deliver to Beneficiary a copy of (i) the fully-executed carryover allocation and final reservation of Tax Credits for the Property, if applicable; (ii) the basis audit (as required by Section 42 of the Code) for the Real Estate (including a certificate of Borrower's accountant or attorneys if requested by Beneficiary); (iii) the first annual income certification for all tenants of the Property

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showing that the tenants are qualified for purposes of Borrower's obtaining Tax Credits, and (iv) the fully-completed Form 8609 (required by the Code) issued for the Real Estate. Borrower shall deliver promptly to Beneficiary such other certificates, income certificates, reports and information as Beneficiary may request.

Borrower understands and acknowledges that Beneficiary is making the Loan secured by this Deed of Trust based, in part, upon the value of the Tax Credits. Subject to the limitations set forth in Paragraph R-3 of the HUD Required Provisions Rider attached hereto, Borrower agrees to indemnify, defend, and hold Beneficiary harmless for, from, and against any and all actions, suits, claims, demands, liabilities, losses, damages, obligations, and costs or expenses, including litigation costs and reasonable attorneys' fees, arising from or in any way connected with Borrower's failure to comply with one or more Tax Credit Covenants, excepting those arising out of, or resulting solely from Beneficiary's gross negligence or willful misconduct.

3. Security Agreement

3.1 Security Interest. This Deed of Trust constitutes both a real property Deed of Trust and a "security agreement," within the meaning of the Uniform Commercial Code, and the Trust Property includes both real and personal property and all other rights and interests, whether tangible or intangible in nature, of the Borrower in the Trust Property. The Borrower, by executing and delivering this Deed of Trust, hereby grants to the Beneficiary, as security for the Indebtedness, a security interest in, and lien on, the Tangible Personalty and any and all of the other Trust Property comprised of fixtures, furnishings, Equipment or personal property.

3.2 Remedies Under Security Agreement and UCC. If the Borrower shall default under any of the Loan Documents, then the Beneficiary, in addition to any other rights and remedies which it may have, shall have and may exercise immediately and without demand, any and all rights and remedies granted to a secured party upon default under the Uniform Commercial Code, including, without limiting the generality of the foregoing, the right to take possession of the Tangible Personalty and all other tangible property which is included in the Trust Property (or any part thereof or interest therein), and to take such other measures as the Beneficiary may deem necessary for the care, protection and preservation of the Trust Property, and to sell the Trust Property (or any part thereof or interest therein). Upon request or demand of the Beneficiary, the Borrower shall at its expense assemble the Tangible Personalty (and all other tangible personal property which is included in the Trust Property) and make it available to the Beneficiary at a convenient place acceptable to the Beneficiary. The Borrower shall pay to the Beneficiary on demand any and all expenses, including legal expenses and reasonable attorneys' fees, incurred or paid by the Beneficiary in protecting its interest in the Trust Property (or any part thereof or interest therein) and in enforcing the Beneficiary's rights under this Deed of Trust with respect to the Trust Property (or any part thereof or interest therein). Any notice of sale, disposition or other intended action by the Beneficiary with respect to the Trust Property (or any part thereof or interest therein) sent to the Borrower in accordance with the provisions of this Deed of Trust at least seven (7) days prior to the date of any such sale, disposition or other action, shall constitute reasonable notice to the Borrower, and the method of sale or disposition or other intended action set forth or specified in such notice shall conclusively be deemed to be commercially reasonable within the meaning of the Uniform Commercial Code. The proceeds of

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any sale or disposition of the Trust Property (or any part thereof or interest therein) may be applied by the Beneficiary to the payment of the Indebtedness in such order, priority and proportions as the Beneficiary in its discretion shall deem proper.

3.3 Beneficiary's Right Of Setoff. In addition to all rights available to the Beneficiary under applicable law or any other agreement, the Borrower hereby gives and grants to the Beneficiary a lien on, security interest in and right of setoff against all moneys, securities and other property of the Borrower (and the proceeds of such moneys, securities and other property), which have been, are now being, or will be delivered to the Beneficiary, its correspondents or its agents, whether for safekeeping, custody, pledge, transmission, collection or otherwise, or coming into possession of the Beneficiary in any way, or in any capacity. Such lien and security interest are given to the Beneficiary as collateral security for the payment of the Indebtedness and of all liabilities and obligations now or hereafter owed by the Borrower to the Beneficiary in connection with the Indebtedness, including, without limitation, fees contracted with or acquired by the Beneficiary, whether joint, several, direct, indirect, absolute, contingent, secured, matured or unmatured (all of such liabilities and obligations are hereafter collectively called "Obligations"). The Borrower hereby authorizes the Beneficiary at any time or times, without prior notice, to apply such moneys, securities, properties, proceeds, balances, credits or claims (all such moneys, securities, properties, proceeds, balances, credits and claims being called collectively the "Deposits") (or any part thereof or interest therein), to such Obligations in such amounts as the Beneficiary may select, whether contingent, unmatured or otherwise and whether any collateral security for such Obligations is deemed adequate or not. The collateral security described in this Deed of Trust shall be in addition to any collateral security described in any separate agreement executed by the Borrower. The Beneficiary, in addition to any right available to it under applicable law or any other agreement, shall have the right, at its option, to set off immediately, as against any or all of the Obligations, all Deposits owed by the Borrower in any capacity to the Beneficiary, whether or not due. The Beneficiary shall, at its option, be deemed to have exercised such right to set off and to have made a charge against the Deposits (in such order and manner as determined by the Beneficiary) immediately upon the occurrence of any default under this Deed of Trust or any other Event of Default, even though such charge is made or entered on the books of the Beneficiary subsequent to those events. Notwithstanding the foregoing, so long as the Prior Mortgage is insured or held by HUD, then until the discharge of the Prior Mortgage, the Beneficiary's security interest granted by this Section in any income derived from the Trust Property shall be limited to the extent of Surplus Cash and shall not include proceeds of the Prior Loan.

4. Events Of Default; Borrower's Remedies

4.1 Definition of "Event of Default". The Indebtedness shall become due at the option of the Beneficiary upon the occurrence of any one or more of the following events (each of which is by this Deed of Trust deemed and referred to as an "Event of Default"; provided, however, that the occurrence of an event described in subsection (k) below shall result in an automatic acceleration of the Indebtedness):

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[a] if any portion of the Indebtedness is not paid within five (5) days of the due date for payment of such portion (as provided in the Loan Documents) or if the Indebtedness is not paid in full on the Maturity Date (or any accelerated maturity date);

[b] if the Borrower shall fail to pay within twenty (20) days of Notice and demand by the Beneficiary, any installment of any Assessment against the Trust Property (or any part thereof or interest therein) for local improvements heretofore or hereafter laid, which Assessment is or may become payable in annual or periodic installments and is or may become a lien on the Trust Property (or any part thereof or interest therein), notwithstanding the fact that such installment may not be due and payable at the time of such Notice and demand;

[c] if any federal tax lien is filed against the Borrower, Borrower's Managing General Partner, any Guarantor or the Trust Property (or any part thereof or interest therein) and such tax lien is not discharged of record within thirty (30) days after such lien is filed;

[d] except as otherwise provided in Section 2.22, if, without the consent of the Beneficiary (which consent in any and all circumstances may be withheld in the sole and absolute discretion of the Beneficiary), the Trust Property (or any part thereof or interest therein) or any interest of any nature whatsoever in the Borrower, Borrower's Managing General Partner or any Guarantor (whether partnership, stock, equity, beneficial, profit, loss or otherwise) is in any manner, by operation of law or otherwise, whether directly or indirectly, further issued, encumbered, sold, transferred, assigned or conveyed, and irrespective of whether any such further issuance, encumbrance, sale, transfer, assignment or conveyance is voluntary, by reason or operation of law or is otherwise made;

[e] if, without the consent of the Beneficiary (which consent in any and all circumstances may be withheld in the sole and absolute discretion of the Beneficiary), any of the limited partners of the Investor Limited Partner withdraws or is removed;

[f] if without the consent of the Beneficiary any Improvement or Tangible Personalty (except for the normal replacement of the Tangible Personalty) is removed, demolished or materially altered, or if the Trust Property (or any part thereof or interest therein) is not kept in reasonably good condition and repair;

[g] if the Borrower shall fail to comply with any requirement or order or notice of violation of law or ordinance issued by any governmental department claiming jurisdiction over the Trust Property (or any part thereof or interest therein) within three (3) months from the issuance of any such requirement, order, or notice, or the time period set forth therein, whichever is less;

[h] if the Policies are not kept in full force and effect, or if the Policies are not delivered to the Beneficiary within five (5) days after request therefore;

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[i] if the Borrower shall fail to pay the Beneficiary on demand for all Insurance Premiums and/or Assessments paid by the Beneficiary pursuant to this Deed of Trust, together with any late payment charge and interest thereon calculated at the Default Rate;

[j] if, without the consent of the Beneficiary, the Ground Lease is modified, amended, cancelled, surrendered or terminated in violation of Section 2.3 or any lease or sublease of any part of the Real Estate is made, cancelled or modified in violation of Section 2.20, or if any portion of the Rents is paid for a period of more than one (1) month in advance or if any of the Rents are further assigned in violation of Section 2.20;

[k] if any representation or warranty of the Borrower hereunder or under any other Loan Document, or of any Guarantor guaranteeing: 1) payment of the Indebtedness or any portion thereof, or of operating expenses of the Trust Property (or any part thereof or interest therein), or 2) performance by the Borrower of any of the terms of this Deed of Trust (each, a "Collateral Guaranty"), is materially false or misleading in any material respect; or if any representation or warranty in any certificate, report, financial statement or other instrument furnished in connection with the making of the Series2005B Owner Note, this Deed of Trust, or any Collateral Guaranty made by any Guarantor to the Borrower, is, in any such case, false or misleading in any material respect;

[l] if the Borrower, any Guarantor, or any partner of the Borrower (each of whom is called an "Obligor") shall commence any case, proceeding or other action relating to it in bankruptcy or seeking reorganization, liquidation, dissolution, winding-up, arrangement, composition or readjustment of its debts, or for any other relief, under bankruptcy, insolvency, reorganization, liquidation, dissolution, winding-up, arrangement, composition, readjustment of debt or other similar act or law of any jurisdiction, domestic or foreign, now or hereafter existing; or if an Obligor shall apply for a receiver, custodian or trustee of it or for all or a substantial part of its property; or if an Obligor shall make an assignment for the benefit of creditors, or if an Obligor shall be unable to, or shall admit in writing the inability to pay its debts generally as they become due; or if an Obligor shall take any action indicating its consent to, approval of, acquiescence in, or in furtherance of, any of the foregoing; or if any case, proceeding or other action against an Obligor shall be commenced in bankruptcy or seeking reorganization, liquidation, dissolution, winding-up, arrangement, composition or readjustment of its debts, or any other relief, under any bankruptcy, insolvency, reorganization, liquidation, dissolution, arrangement, composition, readjustment of debt or other similar act or law of any jurisdiction, domestic or foreign, now or hereafter existing, and such condition shall continue for a period of ninety (90) days undismissed or undischarged; or if a receiver, custodian or trustee of an Obligor or for all or a substantial part of its property shall be appointed and such condition shall continue for a period of ninety (90) days undismissed or undischarged; or if a warrant of attachment, execution or distraint, or similar process, shall be issued against any substantial part of the property of an Obligor and such condition shall continue for a period of ninety (90) days undismissed or undischarged;

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[m] if the Borrower shall be in default under any Loan Document beyond the expiration of any applicable notice and grace period;

[n] if the Borrower shall be in default (beyond the expiration of any applicable notice and cure period) under any mortgage or deed of trust covering the Trust Property (or any part thereof or interest therein) whether superior or inferior in lien to this Deed of Trust, and including, without limitation, any such mortgage or deed of trust now or hereafter held by, or for the benefit of, the Beneficiary, or if the Borrower shall be in default, beyond the expiration of any applicable notice or grace period, in respect of either any other indebtedness owed by the Borrower to the Beneficiary, or any other indebtedness aggregating at least \$100,000 owed to any third party, or, in any such case, if the Borrower shall default under any lease, mortgage, indenture or other agreement or instrument relating to any such indebtedness (to the extent specified in this subparagraph) beyond any grace period provided with respect to such indebtedness, agreement, or instrument;

[o] if the Trust Property (or any part thereof or interest therein) shall become subject (i) to any tax lien, other than a lien for local real estate taxes and assessments not delinquent, or (ii) to any lis pendens, notice of pendency, stop order, notice of intention to file mechanic's or materialman's lien, mechanic's or materialman's lien or other lien of any nature whatsoever, unless such mechanic's or materialman's lien is being diligently contested by Borrower and with respect to which Borrower shall provide and maintain a surety bond in an amount and with a surety company acceptable to Beneficiary; or (iii) to forfeiture under applicable laws, and the same shall not either be discharged of record or in the alternative insured over to the satisfaction of the Borrower by the title company insuring the lien of this Deed of Trust within a period of thirty (30) days after the same is filed or recorded, and irrespective of whether the same is superior or subordinate in lien or other priority to the lien of this Deed of Trust and irrespective of whether the same constitutes a perfected or inchoate lien or encumbrance on the Trust Property (or any part thereof or interest therein) or is only a matter of record or notice;

[p] if the Borrower shall continue to be in default under any of the other terms, covenants or conditions of this Deed of Trust not otherwise described in this Section 4.1 for five (5) days after Notice from the Borrower in the case of any default which can be cured by the payment of a sum of money or for thirty (30) days after Notice from the Borrower in the case of any other default, or

[q] if any Guarantor shall be in default under any Collateral Guaranty.

[r] the Borrower shall abandon the Trust Property or any part thereof or rehabilitation of the Improvements shall, except for force majeure delays, be halted for a continuous period of thirty (30) days.

[s] if 1) the Borrower shall be in default beyond any applicable notice and cure period in the observance or performance of any term, covenant or condition of the Ground Lease on the part of the Borrower, as ground lessee under the Ground Lease, to

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be observed or performed, unless any such observance or performance shall have been waived or not required in writing by the ground lessor under the Ground Lease, or 2) any one or more of the events referred to in the Ground Lease shall occur which would or may cause the Ground Lease to terminate without notice or action by the ground lessor under the Ground Lease or which would entitle the ground lessor under the Ground Lease to terminate the Ground Lease, and the term of the Ground Lease, by giving notice to the Borrower, as ground lessee under the Ground Lease, or 3) the leasehold estate created by the Ground Lease shall be surrendered, in whole or in part, or 4) the Ground Lease shall be terminated or cancelled for any reason or under any circumstance whatsoever, or 5) any of the terms, covenants or conditions of the Ground Lease shall in any manner be modified, changed, supplemented, altered or amended without the consent of the Beneficiary.

Notwithstanding anything to the contrary contained herein, Beneficiary hereby agrees that any cure of any default made or tendered by the Borrower's Administrative Limited Partner shall be deemed to be a cure by the Borrower and shall be accepted or rejected on the same basis as if made or tendered by the Borrower.

4.2 Right to Receiver. The Beneficiary of this Deed of Trust, in any action to foreclose it, shall be entitled to the appointment of a receiver, provided that, the Beneficiary's rights hereunder shall be subject to the rights of HUD and the Prior Mortgagee under the Prior Mortgage so long as HUD is the insurer or holder of the Prior Mortgage. In addition, upon the actual or threatened waste to the Trust Property (or any part thereof or interest therein) or upon the occurrence of any default under this Deed of Trust, the holder of this Deed of Trust shall be at liberty, without notice, to apply for the appointment of a receiver of the Rents, and shall be entitled to the appointment of such receiver as a matter of right, without regard to the value of the Trust Property as security for the Indebtedness, or the solvency or insolvency of any person then liable for the payment of the Indebtedness.

4.3 Involuntary Sale of Portion of Trust Property. If this Deed of Trust is foreclosed, or any power of sale or other remedy under this Deed of Trust is exercised, then the Trust Property (or any part thereof or interest therein) may, at the discretion of the Beneficiary, be sold in one or more parcels or in several interests or portions and in any order or manner. No transfer of the Trust Property by foreclosure or deed in lieu of foreclosure shall extinguish the Regulatory and Operating Agreement and the Regulatory and Operating Agreement shall remain in effect during the term thereof following such transfer. So long as the Regulatory and Operating Agreement remains in effect, the Beneficiary will notify HUD of its intent to exercise its foreclosure remedy hereunder.

4.4 Action for Portion of Indebtedness. The Beneficiary shall have the right from time to time to take action to recover any sum or sums which constitute a part of the Indebtedness as the same become due, without regard to whether or not the balance of the Indebtedness shall be due, and without prejudice to the right of the Beneficiary thereafter to bring an action of foreclosure, or any other action, for a default or defaults by the Borrower existing at the time such earlier action was commenced.

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4.5 Litigation Relating to Trust Property. The Beneficiary shall have the right to appear in and defend any action or proceeding brought with respect to the Trust Property (or any part thereof or interest therein) and to bring any action or proceeding, in the name and on behalf of the Borrower, which the Beneficiary, in its discretion, feels should be brought to protect the Beneficiary's interest in the Trust Property (or any part thereof or interest therein), provided that, until the discharge of the Prior Mortgage, so long as HUD is the insurer or holder of the Prior Mortgage, the exercise of Beneficiary's rights hereunder shall be subject to the prior written consent of the Prior Mortgagee and HUD

4.6 Beneficiary's Right to Remedy Defaults. Upon the occurrence of any default under this Deed of Trust, which remains uncured beyond any applicable notice and cure period, the Beneficiary may, at its discretion, remedy the same and for such purpose shall have the right to enter upon the Trust Property (or any part thereof or interest therein) without thereby becoming liable to the Borrower or any person holding under or claiming under or through the Borrower. Nothing contained in this Deed of Trust shall in any manner obligate the Beneficiary to remedy any default under this Deed of Trust. If the Beneficiary shall remedy such a default or appear in, defend, or bring any action or proceeding to protect the Beneficiary's interest in the Trust Property (or any part thereof or interest therein) or to foreclose this Deed of Trust or collect the Indebtedness, then the costs and expenses of remedying such default, or bringing such action or proceeding (including reasonable attorneys' fees to the extent permitted by law), with interest at the Default Rate, for the period after the date that such costs or expenses are incurred by the Beneficiary to the date of payment of such costs and expenses to the Beneficiary, provided, however, that the Default Rate shall in no event exceed the maximum interest rate which the Borrower may by law pay. To the extent that any of the costs or expenses paid by the Beneficiary after default by the Borrower shall constitute payment of (i) taxes, charges or assessments which may be imposed by law upon the Trust Property (or any part thereof or interest therein), (ii) premiums on insurance policies covering the Trust Property (or any part thereof or interest therein), (iii) expenses incurred in upholding the lien of this Deed of Trust, including, but not limited to, the costs and expenses of any litigation to collect the indebtedness secured by this Deed of Trust or to prosecute, defend, protect or preserve the rights and the lien created by this Deed of Trust, (iv) any amount, cost or charge to which the Beneficiary becomes subrogated, upon payment, whether under recognized principles of law or equity, or under express statutory authority, or (v), unless prohibited by applicable laws, any other amount; then, and in each such event, all such costs, expenses and amounts, together with interest thereon at the Default Rate, shall be added to the indebtedness secured by this Deed of Trust and shall be secured by this Deed of Trust.

5. General

5.1 Notices. Any notice, request, or demand made under this Deed of Trust (each such notice, request, or demand shall be called a "Notice") shall be in writing and shall be either: 1) hand delivered, or 2) sent by Federal Express, or other reputable courier service, or 3) sent by postage pre-paid registered or certified mail, return receipt requested. Each Notice which is given by the Trustee, the Beneficiary or the Borrower (the party giving the Notice is called the "Sending Party") to the other (such other party being called the "Receiving Party") shall be deemed given: (a) when received by the Receiving Party at its address set forth below, if such

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Notice is hand delivered or is sent by Federal Express (or other reputable courier service) to such address, and (b) three (3) business days after being postmarked and addressed to such Receiving Party at its address set forth below if sent by registered or certified mail, return receipt requested:

If to the Borrower: Hilliard Homes II Limited Partnership
1333 North Kingsbury, Suite 305
Chicago, Illinois 60622
Attention: General Partner

With copies to: Applegate & Thorne-Thomsen, P.C.
322 South Green Street, Suite 412
Chicago, Illinois 60607
Attention: Thomas Thorne-Thomsen, Esq.

Administrative Limited Partner
c/o Alliant Asset Management Co., LLC
21550 Oxnard Street
Suite 1020
Woodland Hills, California 91367
Attention: Shawn Horwitz

If to the Trustee: Bank of America N.A.
231 South LaSalle Street, 8th Floor
Chicago, Illinois 60604
Attention: Robert Mattson

If to the Beneficiary: Bank of America N.A.
231 South LaSalle Street, 8th Floor
Chicago, Illinois 60604
Attention: Robert Mattson

With a copy to:
Bank of America N.A.
7800 Forsyth Blvd.
Suite 350
Clayton, Missouri 63105
Mail Code: MO1-076-03-06
Attention: Stacey Gibson

Charity & Associates, P.C.
20 North Clark Street, Suite 700
Chicago, Illinois 60602
Attention: Elvin E. Charity, Esq.

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Each party may designate a change of address by Notice given, as provided in this Deed of Trust, to the other party, at least fifteen (15) days prior to the date such change of address is to become effective.

5.2 No Notice From Trustee/Beneficiary Unless Agreed in Deed of Trust. The Borrower shall not be entitled to any Notices of any nature whatsoever from the Trustee or the Beneficiary except with respect to matters for which this Deed of Trust specifically and expressly provides for the giving of Notice by the Trustee or the Beneficiary to the Borrower. The Borrower hereby expressly waives, to the maximum extent permitted by law, the right to receive any Notice from the Trustee or the Beneficiary with respect to any matter for which this Deed of Trust does not specifically and expressly provide for the giving of Notice by the Trustee or the Beneficiary to the Borrower.

5.3 Interest Rate Ceilings. This Deed of Trust and the Series2005B Owner Note are subject to the express condition that at no time shall the Borrower be obligated or required to pay interest on the Indebtedness a rate which violates any usury or interest rate maximum limitation, or which could subject the holder of the Series2005B Owner Note to either civil or criminal liability as a result of such rate being in excess of the maximum interest rate which the Borrower is permitted by law to contract or agree to pay (the "Maximum Legal Rate"). If, by the terms of any Loan Document, the Borrower is at any time required or obligated to pay interest on the Indebtedness at a rate in excess of such Maximum Legal Rate, then the rate of interest under the Series2005B Owner Note or this Deed of Trust shall be deemed to be immediately reduced to such Maximum Legal Rate and the interest payable shall be computed at such Maximum Legal Rate and all prior interest payments in excess of such maximum rate shall be applied and shall be deemed to have been payments in reduction of the principal balance of the Indebtedness.

5.4 No Verbal Modification. This Deed of Trust may only be modified, amended or changed by an agreement in writing signed by the Trustee, the Beneficiary and the Borrower. This Deed of Trust may only be released, discharged or satisfied of record by an agreement in writing signed by the Trustee. No waiver of any term, covenant or provision of this Deed of Trust shall be effective unless given, for value, in writing by the Beneficiary and if so given by the Beneficiary shall only be effective in the specific instance in which given. The Borrower acknowledges that the Loan Documents set forth the entire agreement and understanding of the Borrower and the Beneficiary with respect to the Loan and that no oral or other agreement, understanding, representation or warranty exists with respect to the Loan other than the agreements, understandings, representations, and warranties set forth in the Loan Documents.

5.5 Applicable Law. In all respects, including, without limitation, matters of construction, validity and performance, this Deed of Trust and the obligations arising under this Deed of Trust shall be governed by, and construed in accordance with, the laws of the State of Illinois. Whenever possible, each provision of this Deed of Trust shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Deed of Trust shall be unenforceable or prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such unenforceability, prohibition or invalidity, without invalidating the remaining provisions of this Deed of Trust.

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5.6 Debtor-Creditor Status. The relationship of the Beneficiary to the Borrower under this Deed of Trust is solely that of lender and borrower. Nothing contained in the Loan Documents is intended to create, or shall in any event or under any circumstance be construed as creating, a partnership, joint venture, tenancy-in-common, joint tenancy or other relationship of any nature whatsoever between the Beneficiary and the Borrower other than as lender and borrower.

5.7 No Presumption Against Drafter. The Borrower agrees that, when interpreting this Deed of Trust or any other document delivered by the Borrower to the Trustee for the benefit of Beneficiary, there shall be no presumption against the Beneficiary on account of the fact that the Beneficiary is the party causing the drafting of this Deed of Trust.

5.8 Joint and Several. [INTENTIONALLY OMMITTED]

5.9 Headings Have No Legal Effect. The headings and captions of this Deed of Trust are for convenience of reference only, and have no legal effect, and are not to be construed as defining or limiting, in any way, the scope or intent of the provisions of this Deed of Trust.

5.10 Duplicate Counterparts. This Deed of Trust may be executed in any number of duplicate counterparts. If there is more than one Borrower, then each such counterpart need not be signed by each signatory. Each such duplicate counterpart which has been signed by at least one signatory, when combined with other counterparts which have been signed by the other signatories, shall be deemed an original.

5.11 Reasonableness. If at any time the Borrower believes that the Beneficiary has not acted reasonably in granting or withholding any approval or consent under any Loan Document, as to which approval or consent either the Beneficiary has expressly agreed to act reasonably, or absent such agreement, a court of law having jurisdiction over the subject matter would require the Beneficiary to act reasonably, then the Borrower's sole remedy shall be to seek injunctive relief or specific performance and no action for monetary damages or punitive damages shall in any event or under any circumstance be maintained by the Borrower against the Beneficiary.

5.12 No Action or Omission by Beneficiary Shall Be A Waiver. The failure of the Beneficiary to insist upon strict performance of any term of this Deed of Trust shall not be deemed to be a waiver of any term of this Deed of Trust. No delay or omission by the Beneficiary to exercise any right, power or remedy accruing under this Deed of Trust shall be construed to be a waiver of any default or acquiescence therein. A waiver in one or more instances to exercise any right, power or remedy accruing under this Deed of Trust shall apply only to the particular instance or instances, and at the particular time or times only, and no such waiver shall be deemed a continuing waiver, but every term, covenant, provision or condition establishing such right, power or remedy shall survive and continue to remain in full force and effect. The Borrower shall not be relieved of the Borrower's obligation to pay the Indebtedness, at the time and in the manner provided for its payment in the Loan Documents, by reason of: (i) failure of the Beneficiary to comply with any request of the Borrower to take any action to enforce any of the provisions of the Loan Documents, (ii) the release, regardless of consideration, of the Trust Property (or any part thereof or interest therein) or any other security

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for the Indebtedness, or (iii) any agreement or stipulation between the Trustee or the Beneficiary and any subsequent owner or owners of the Trust Property (or any part thereof or interest therein) or other person extending the time of payment or otherwise modifying or supplementing the terms of any of the Loan Documents, without first having obtained the consent of the Borrower, and, even if such consent is not obtained, the Borrower shall continue to be obligated to pay the Indebtedness at the time and in the manner provided in the Series2005B Owner Note and this Deed of Trust, as so extended, modified and supplemented, unless expressly released and discharged from such obligation by the Beneficiary in writing. Regardless of consideration, and without the necessity for any notice to or consent by the holder of any subordinate lien, encumbrance right, title or interest in or to the Trust Property (or any part thereof or interest therein), the Beneficiary may:

- 1) release A) any person at any time liable for the payment of the Indebtedness or any portion thereof or B) the Trust Property (or any part thereof or interest therein), and
- 2) extend the time of payment or otherwise modify the terms of any Loan Document, including, without limitation, a modification of the interest rate payable on the principal balance of the Series2005B Owner Note,

without, in each such case, in any manner impairing or affecting this Deed of Trust or the lien or priority of this Deed of Trust, as so extended and modified, as security for the Indebtedness over any such subordinate lien, encumbrance, right, title or interest. The Beneficiary may resort for the payment of the Indebtedness to any other security held by the Beneficiary in such order and manner as the Beneficiary, in its discretion, may elect. The Beneficiary may take action to recover the Indebtedness, or any portion thereof, or to enforce any covenant of this Deed of Trust without prejudice to the right of the Beneficiary thereafter to foreclose or cause the Trustee to foreclose this Deed of Trust. The Trustee and the Beneficiary shall not be limited exclusively to the rights and remedies stated in this Deed of Trust but shall be entitled to every additional right and remedy now or hereafter afforded by law or equity. The rights of the Trustee and Beneficiary under this Deed of Trust shall be separate, distinct and cumulative and none shall be given effect to the exclusion of the others. No act of the Trustee or Beneficiary shall be construed as an election to proceed under any one provision in this Deed of Trust to the exclusion of any other provision.

5.13 Liability. In acting under this Agreement, neither Trustee, nor Beneficiary, nor any of their respective officers, directors, shareholders, members, managers, employees, or agents or contractors (collectively called the "Beneficiary Parties"), shall be liable, in the case of any such Beneficiary Party causing damage to the Borrower, for any error of judgment of such party, or for any act done or step taken or omitted in good faith by such party, except that this sentence shall not protect any Beneficiary Party with respect to any error, act, step or omission constituting the gross negligence or willful tortious misconduct of such Beneficiary Party. Neither Trustee, nor Beneficiary shall have any liability or responsibility for taking any necessary steps to preserve rights against any third parties with respect to the Trust Property (or any part thereof or interest therein). If the Trustee or the Beneficiary (or any Beneficiary Party) shall fail to perform any of its respective obligations under any Loan Document, then such party (the "Nonperforming Party") shall not be in default under such Loan Document unless and to the extent that the Nonperforming Party is in default pursuant to the express terms of such Loan

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Document and only if the Borrower shall give notice of such default to such Nonperforming Party, and the Nonperforming Party shall fail to cure such default within thirty (30) days (or if such default cannot reasonably be cured within such 30-day period, then the Nonperforming Party shall fail to commence curing such default within such 30-day period and cure such default within a reasonable period thereafter). In no event shall any Beneficiary Party be liable for any direct, consequential, or punitive damages on account of any default under any Loan Document or any violation of applicable law or procedures.

5.14 Borrower's Liability For Indebtedness is Absolute and Unconditional. The Borrower acknowledges that the Borrower's obligation to pay the Indebtedness in accordance with the provisions of the Loan Documents is and shall at all times continue to be absolute and unconditional in all respects, and shall at all times be valid and enforceable irrespective of any other agreements or circumstances of any nature whatsoever which might otherwise constitute a defense to: 1) any of the Loan Documents, or 2) the obligation of the Borrower under the Loan Documents to pay the Indebtedness, or 3) the obligations of any other person relating to the Loan Documents, or 4) the obligations of the Borrower, whether under the Loan Documents or otherwise, with respect to the Loan. The Borrower absolutely, unconditionally and irrevocably waives any and all right to assert any setoff, counterclaim or crossclaim of any nature whatsoever with respect to: 1) the obligation of the Borrower to pay the Indebtedness in accordance with the Loan Documents, or 2) the obligations of any other person relating to the Loan Documents, or 3) the obligations of the Borrower, whether under the Loan Documents or otherwise, with respect to the Loan in any action or proceeding brought by the Borrower to collect the Indebtedness, or any portion thereof, or to enforce, foreclose and realize upon the lien and security interest created by any Loan Document, in whole or in part (provided, however, that the foregoing shall not be deemed a waiver of the Borrower's right to assert any compulsory counterclaim maintained in a court of the United States, or of the State of Illinois if such counterclaim is compelled under local law or rule of procedure, nor shall the foregoing be deemed a waiver of the Borrower's right to assert any claim which would constitute a defense, setoff, counterclaim or crossclaim of any nature whatsoever against the Beneficiary in any separate action or proceeding, provided that the Borrower shall not seek to consolidate any such separate action or proceeding with any action or proceeding by the Beneficiary).

5.15 Loan Transfers

[a] The Borrower acknowledges that the Beneficiary may, prior to, on, or after the date of this Deed of Trust, sell, assign, or transfer the Series2005B Owner Note (or any part thereof or interest therein), or any of the Loan Documents, to one or more persons, entities, parties or investors as may be selected by the Beneficiary in its sole and absolute discretion, and on terms and conditions satisfactory to the Beneficiary in its sole and absolute discretion (each such person, entity, party or investor to whom the Series2005B Owner Note is so sold, assigned, or transferred is referred to in this Deed of Trust as a "Successor Beneficiary"). Each such transfer, whether voluntary or involuntary, is called a "Transfer." A Successor Beneficiary may include, without limitation, any domestic or foreign bank, insurance company, pension fund, savings bank or association, credit union, other institutional lender, trust, governmental agencies, grantor trust, owner trust, special purpose corporation, REMIC, real estate investment

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trust or other similar or comparable investment vehicle. The Borrower hereby waives notice of any such Transfer. Notwithstanding the foregoing, the Beneficiary agrees that any transfer of its interest in the Series2005B Owner Note shall be subject to HUD's prior written consent so long as (1) the Prior Mortgage remains a lien on the Trust Property and HUD is the owner or insurer of the Prior Mortgage or (2) the Regulatory and Operating Agreement remains in effect.

[b] The Borrower shall cooperate, and shall cause each Guarantor, indemnitor and other person, entity, or party obligated with respect to the Loan, and all other persons or entities affiliated with the Borrower, or having an interest in the Trust Property (or any part thereof or interest therein) (all such Guarantors, indemnitors, persons, entities, and parties being called the "Borrower Parties") to cooperate, in all respects, with the Beneficiary in connection with the sale of the Series2005B Owner Note (or any part thereof or interest therein), in the manner contemplated by this Section 5.15, and shall, in connection therewith, execute and deliver such estoppels, certificates, instruments, documents and information (including but not limited to financial information concerning the Borrower and each Borrower Party) as may be requested by the Beneficiary, any and all of which may be relied on by any Successor Beneficiary. The Borrower acknowledges that each Successor Beneficiary is a third party beneficiary of this Section 5.15. The Borrower grants to the Beneficiary, and shall cause each Borrower Party to grant to the Beneficiary, the right to distribute financial and other information concerning the Borrower and each Borrower Party, and other pertinent information with respect to the Loan, to any Successor Beneficiary or any other person or entity who, in the Beneficiary's judgment, may have an interest in becoming a Successor Beneficiary. The Borrower, within a reasonable period of time after request by the Beneficiary, shall execute and deliver, and shall cause each Borrower Party to execute and deliver, such documents and instruments as may be requested by the Beneficiary to further the purposes and intent of this Section 5.15.

5.16 Transfer By Beneficiary. Upon any Transfer of the Series2005B Owner Note to any Transferee, the Beneficiary's interest in the Trust Property (or any part thereof or interest therein) shall thereupon become vested in the Successor Beneficiary with all the rights under this Deed of Trust with respect to the property transferred to such Successor Beneficiary, and all rights under applicable law relating to the Series2005B Owner Note. The Beneficiary shall thereafter forever be relieved and fully discharged from any liability or responsibility with respect to the Loan and the Loan Documents.

5.17 Arbitration. After this Deed of Trust has been released, fully reconveyed or extinguished, any controversy or claim between Borrower and the Beneficiary, including those arising out of or relating to this Deed of Trust, the Loan Agreement or the other Loan Documents and any claim based on or arising from an alleged tort, at the request of any party, will be determined by arbitration. The arbitration will be conducted in accordance with the United States Arbitration Act (Title 9, U.S. Code), notwithstanding any choice of law provision in this Agreement, and under the Commercial Rules of the AAA. The arbitrator(s) must give effect to statutes of limitation in determining any claim. The arbitrator(s) will determine any controversy concerning whether an issue is arbitrable. Judgment upon the arbitration award may be entered

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in any court having jurisdiction. The institution and maintenance of an action for judicial relief or pursuit of a provisional or ancillary remedy will not constitute a waiver of the right of Borrower, Trustee or Beneficiary to submit the controversy or claim to arbitration. Notwithstanding the provisions of this Section, no controversy or claim may be submitted to arbitration without the consent of the Beneficiary if, at the time of the proposed submission, such controversy or claim arises from or relates to an obligation to Beneficiary secured by real property collateral. No provision of this Section limits the right of Trustee and Beneficiary to exercise self-help remedies such as setoff, foreclosure against or sale of any real or personal property collateral or security or to obtain provisional or ancillary remedies from a court of competent jurisdiction before, after or during the pendency of any arbitration or other proceeding. The exercise of a remedy does not waive the right to resort to arbitration. At Beneficiary's option, foreclosure under this Deed of Trust may be accomplished either by exercise of power of sale (to the extent permitted by applicable law) or by judicial foreclosure. The provisions of this Section 5.17 shall not apply (a) with respect to any controversy or claim in which HUD or Prior Mortgagee has an interest or right so long as HUD is the insurer or the holder of the Prior Mortgage and the Prior Mortgage remains a lien on the Trust Property or (b) from or after the date that HUD acquires title to the Trust Property through foreclosure of the Prior Mortgage or by transfer in lieu of foreclosure.

5.18 No Statutory Rights. THE BORROWER SHALL NOT AND WILL NOT APPLY FOR OR AVAIL ITSELF OF ANY APPRAISEMENT, VALUATION, STAY, EXTENSION OR EXEMPTION LAWS, OR ANY SO-CALLED "MORATORIUM LAWS," NOW EXISTING OR HEREAFTER ENACTED, IN ORDER TO PREVENT OR HINDER THE ENFORCEMENT OR FORECLOSURE OF THIS DEED OF TRUST, BUT THE BORROWER HEREBY WAIVES THE BENEFIT OF SUCH LAWS TO THE FULL EXTENT THAT THE BORROWER MAY DO SO UNDER APPLICABLE LAW. THE BORROWER, FOR ITSELF AND ALL WHO MAY CLAIM THROUGH OR UNDER IT, WAIVES ANY AND ALL RIGHT TO HAVE THE TRUST PROPERTY (OR ANY PART THEREOF OR INTEREST THEREIN) MARSHALLED UPON ANY FORECLOSURE OF THE LIEN OF THIS DEED OF TRUST AND AGREES THAT ANY COURT HAVING JURISDICTION TO FORECLOSE SUCH LIEN MAY ORDER THE TRUST PROPERTY SOLD AS AN ENTIRETY. THE BORROWER HEREBY WAIVES FOR ITSELF AND ALL WHO MAY CLAIM THROUGH OR UNDER IT, AND TO THE FULL EXTENT THE BORROWER MAY DO SO UNDER APPLICABLE LAW, ANY AND ALL RIGHTS OF REDEMPTION FROM SALE UNDER ANY ORDER OR DECREE OF FORECLOSURE OF THIS DEED OF TRUST OR GRANTED UNDER ANY STATUTE NOW EXISTING OR HEREAFTER ENACTED.

5.19 No Trial by Jury. THE BORROWER HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES, AND THE BORROWER BY ITS EXECUTION AND DELIVERY OF THE SERIES2005B OWNER NOTE AND THIS DEED OF TRUST IRREVOCABLY AND UNCONDITIONALLY WAIVES, ANY AND ALL RIGHTS TO TRIAL BY JURY IN ANY ACTION, SUIT OR COUNTERCLAIM ARISING IN CONNECTION WITH, OUT OF OR OTHERWISE RELATING TO THE LOAN DOCUMENTS, OR THE LOAN, OR IN ANY WAY RELATED TO THIS TRANSACTION OR OTHERWISE WITH RESPECT TO THE TRUST PROPERTY (OR ANY PART THEREOF OR INTEREST THEREIN).

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5.20 Consent to Jurisdiction. THE BORROWER IRREVOCABLY AGREES THAT, SUBJECT TO THE BENEFICIARY'S SOLE AND ABSOLUTE ELECTION, ANY ACTION OR PROCEEDING IN ANY WAY, MANNER OR RESPECT ARISING OUT OF THIS DEED OF TRUST, THE LOAN DOCUMENTS OR ANY AMENDMENT, INSTRUMENT, DOCUMENT OR AGREEMENT DELIVERED OR WHICH MAY IN THE FUTURE BE DELIVERED IN CONNECTION HERewith OR THEREWITH, OR ARISING FROM ANY DISPUTE OR CONTROVERSY ARISING IN CONNECTION WITH OR RELATED TO THIS DEED OF TRUST, THE LOAN DOCUMENTS OR ANY SUCH AMENDMENT, INSTRUMENT, DOCUMENT OR AGREEMENT SHALL BE LITIGATED ONLY IN THE COURTS HAVING SITUS WITHIN THE CITY OF CHICAGO, ILLINOIS, AND THE BORROWER HEREBY CONSENTS AND SUBMITS TO THE JURISDICTION OF ANY LOCAL, STATE OR FEDERAL COURT LOCATED WITHIN SUCH CITY AND STATE. THE PARTNERSHIP HEREBY WAIVES ANY RIGHT IT MAY HAVE TO TRANSFER OR CHANGE THE VENUE OF ANY LITIGATION BROUGHT AGAINST THE BORROWER AND/OR BY THE BENEFICIARY IN ACCORDANCE WITH THIS SECTION 5.20.

5.21 Future Advances. All advances, disbursements and expenditures (collectively "Protective Advances") made by Beneficiary before and during a foreclosure, and before and after judgment of foreclosure, and at any time prior to sale, and, where applicable, after sale, and during the pendency of any related proceedings, for the following purposes, in addition to those otherwise authorized by this Deed of Trust or by the Illinois Mortgage Foreclosure Act (the "Act"), 735 ILCS 5/15-1101 et seq. shall have the benefit of all applicable provisions of the Act, including those provisions of the Act hereinbelow referred to:

(a) all advances by Beneficiary in accordance with the terms of this Deed of Trust to: (i) preserve or maintain, repair, restore or rebuild the Improvements comprising a part of the Trust Property; (ii) preserve the lien of this Deed of Trust or the priority thereof; or (iii) enforce this Deed of Trust, as referred to in Subsection (b)(5) of Section 5/15-1302 of the Act;

(b) payments by Beneficiary of: (i) when due, installments of principal, interest or other obligations in accordance with the terms of any mortgage or other lien or encumbrance, whether junior or senior to the lien of this Deed of Trust; (ii) when due, installments of real estate taxes and assessments, general and special and all other taxes and assessments of any kind or nature whatsoever which are assessed or imposed upon the Trust Property or any part thereof; (iii) other obligations authorized by this Deed of Trust; or (iv) with court approval, any other amounts in connection with other liens, encumbrances or interests reasonably necessary to preserve the status of title, as referred to in Section 5/15-1505 of the Act;

(c) advances by Beneficiary in settlement or compromise of any claims asserted by claimants under senior mortgages or any other prior liens;

(d) reasonable attorneys' fees and other costs incurred: (i) in connection with the foreclosure of this Deed of Trust as referred to in Sections 5/15-1504(d)(2) and 5/15-

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1510 of the Act; (ii) in connection with any action, suit or proceeding brought by or against Trustee or Beneficiary for the enforcement of this Deed of Trust or arising from the interest of Trustee or Beneficiary hereunder; or (iii) in the preparation for the commencement or defense of any such foreclosure or other action;

(e) Beneficiary's fees and costs, including reasonable attorneys' fees, arising between the entry of judgment of foreclosure and the confirmation hearing as referred to in Subsection (b)(1) of Section 5/15-1508 of the Act;

(f) advances of any amount required to make up a deficiency in deposits for installments of taxes and assessments and insurance premiums as may be authorized by this Deed of Trust;

(g) expenses deductible from proceeds of sale as referred to in Subsections (a) and (b) of Section 5/15-1512 of the Act;

(h) expenses incurred and expenditures made by Beneficiary for any one or more of the following: (i) if the Trust Property or any portion thereof constitutes one or more units under a condominium declaration, assessments imposed upon the unit owner thereof; (ii) if any interest in the Trust Property is a leasehold estate under a lease or sublease, rentals or other payments required to be made by the lessee under the terms of the lease or sublease; (iii) premium for casualty and liability insurance paid by Beneficiary, whether or not Beneficiary or a receiver is in possession, if reasonably required, in reasonable amounts, and all renewals thereof, without regard to the limitation to maintaining of existing insurance in effect at the time Trustee, Beneficiary or any third party receiver takes possession of the Trust Property imposed by Subsection (c)(1) of Section 5/15-1704 of the Act; (iv) repair or restoration of damage or destruction in excess of available insurance proceeds or condemnation awards; (v) payments required or deemed by Beneficiary to be for the benefit of the Trust Property or required to be made by the owner of the Trust Property under any grant or declaration of easement, easement agreement, agreement with any adjoining land owners or instruments creating covenants or restrictions for the benefit of or affecting the Trust Property; (vi) shared or common expense assessments payable to any association or corporation in which the owner of the Trust Property is a member in any way affecting the Trust Property; (vii) costs incurred by Beneficiary for demolition, preparation for and completion of construction, as may be; (viii) pursuant to any lease, sublease or other agreement for occupancy of the Trust Property; and (ix) if this Deed of Trust is insured, payments of FHA or private mortgage insurance.

All Protective Advances shall be so much additional Indebtedness secured by this Deed of Trust, and shall become immediately due and payable without notice and with interest thereon from the date of the advance until paid at the Default Rate.

This Deed of Trust shall be a lien for all Protective Advances as to subsequent purchasers and judgment creditors from the time this Deed of Trust is recorded pursuant to Subsection (b)(1) of Section 5/15-1302 of the Act.

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All Protective Advances shall, except to the extent, if any, that any of the same is clearly contrary to or inconsistent with the provisions of the Act, apply to and be included in:

- (1) the determination of the amount of Indebtedness secured by this Deed of Trust at any time;
- (2) the Obligations found due and owing to Beneficiary in the judgment of foreclosure and any subsequent supplemental judgments, orders, adjudications or findings by the court of any additional Obligations becoming due after such entry of judgment, it being agreed that in any foreclosure judgment, the court may reserve jurisdiction for such purpose;
- (3) if the right of redemption has not been waived by this Deed of Trust, computation of amount required to redeem, pursuant to Subsections (d)(2) and (e) of Section 5/15-1603 of the Act;
- (4) the determination of amounts deductible from sale proceeds pursuant to Section 5/15-1512 of the Act;
- (5) the application of income in the hands of any receiver or lender in possession; and
- (6) the computation of any deficiency judgment pursuant to Subsections (b)(2) and (e) of Sections 5/15-1508 and Section 5/15-1511 of the Act.

The maximum amount of indebtedness secured by this Mortgage is \$30,000,000, plus interest, plus any disbursements for the payment of taxes and insurance on the Trust Property, together with interest thereon, plus the amount of any other Protective Advances, together with interest thereon.

5.22 Limited Recourse. Beneficiary will neither seek nor obtain judgment against Borrower or any partner of Borrower for payment of principal or interest under the Series2005B Owner Note or this Deed of Trust following a judicial foreclosure (or to the extent permitted by law, a nonjudicial foreclosure) of this Deed of Trust, and Beneficiary's sole recourse against Borrower for any default in the payment of the Indebtedness is limited to the Trust Property and any other collateral for the Loan. The limitation of liability set forth in this Section will be deemed void and have no force or effect if Borrower attempts to materially delay any foreclosure by Beneficiary of or on this Deed of Trust or any other collateral for the Loan, or if Borrower claims that any Loan Document is invalid or unenforceable to an extent that would preclude foreclosure. The limitation of liability set forth in this Section will not prejudice or affect Beneficiary's rights to:

(a) Name Borrower or any general partner of Borrower as a party defendant in any action, proceeding or arbitration, subject to the limitations of this Section;

(b) Assert any unpaid amounts on the Loan as a defense or offset to or against any claim or cause of action made or alleged against Beneficiary by Borrower, any of its

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general partners or joint venturers, or any guarantor or indemnitor in connection with the Loan;

(c) Exercise self-help remedies such as setoff or nonjudicial foreclosure against or sale of any real or personal property collateral or security;

(d) Collect or recover Rents, insurance proceeds, amounts payable under surety bonds or letters of credit, condemnation or any other Awards arising out of any public action, or any damages or awards arising out of any damage or injury to, or decrease in value of, all or part of the collateral for the Loan;

(e) Collect or recover an amount from Borrower or any general partner equal to any rents or other sums of any type specified in clause (d) above that are not applied as required by the Loan Documents after an Event of Default has occurred and while it is continuing;

(f) Enforce and collect or recover all sums owing under any indemnity by Borrower or any other party, any guaranties, completion agreements, other agreements, and any similar rights to payment and performance that have been or may be executed, or that have been or may be granted, by Borrower or any other party in connection with the Loan;

(g) Enforce any and all of Borrower's and any Managing General Partner's obligations under the Loan Documents relating to preserving the condition of the Trust Property or the priority of Beneficiary's interest in the Trust Property, including obligations to pay all taxes and charges that may affect or become a lien on the Trust Property, to maintain the Trust Property and all insurance in accordance with the Loan Documents and to repay all sums advanced by Beneficiary for any such purposes;

(h) Enforce any agreement of Borrower or any other party (other than the Loan Documents) specifically stating that it is not subject to the limitation of liability contained in this Section; or

(i) Recover any expenses, damages or costs, including attorneys' fees (including the allocated costs for services of in-house counsel), that Beneficiary may incur because of Borrower's fraud, willful misrepresentation, misapplication of funds or waste or intentional damage of or to any collateral for the Loan; or

(j) Enforce any and all of Borrower's obligations to complete construction and rehabilitation of the Improvements as contemplated by the Loan Documents, including obligations to repay sums advanced by Beneficiary for such purpose; or

(k) Enforce any indemnity or other obligation of Borrower arising from or in connection with Beneficiary's issuance or performance of or under any set aside letter or the enforcement of any set aside letter against Beneficiary.

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5.23 HUD Required Provisions Rider. The HUD Required Provisions Rider attached hereto is by this reference incorporated herein and made a part hereof and which will remain applicable for the term of the Prior Mortgage and so long as HUD is the insurer or holder of the Prior Mortgage.

IN WITNESS WHEREOF, the Borrower has duly executed this Deed of Trust the day and year first above written.

BORROWER:

HILLIARD HOMES II LIMITED PARTNERSHIP, an Illinois limited partnership

By: HH2 Development Corporation, an Illinois corporation, its Managing General Partner

By: 
Peter M. Holsten, President

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STATE OF ILLINOIS)
)
 COUNTY OF COOK)

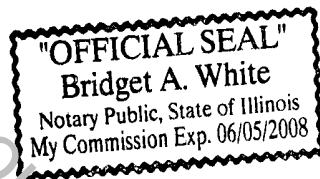
SS

I, BRIDGET A. WHITE, a Notary Public, in and for said County, in the State aforesaid, DO HEREBY CERTIFY that Peter M. Holsten, who is personally known to me to be the same person whose name is subscribed to the foregoing instrument as the President of HH2 Development Corporation, an Illinois corporation, the Managing General Partner of Hilliard Homes II Limited Partnership, an Illinois limited partnership, appeared before me this day in person and acknowledged that he/she signed and delivered the said instrument as his/her own free and voluntary act and as the free and voluntary act of said corporation for the uses and purposes therein

Given under my hand and notarial seal this 12 day of MAY, 2005.

Bridget A. White
 Notary Public

My Commission Expires:



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SCHEDULE A

LEGAL DESCRIPTION

A LEASEHOLD ESTATE IN THE LAND HEREINAFTER DESCRIBED CREATED BY THAT CERTAIN AMENDED AND RESTATED GROUND LEASE ENTERED INTO BY THE CHICAGO HOUSING AUTHORITY AND HILLARD HOMES II LIMITED PARTNERSHIP, DATED AS OF MAY 1, 2005 AND RECORDED MAY 13, 2005 WITH THE COOK COUNTY RECORDER'S OFFICE AS DOCUMENT NUMBER 0513304153 :

PARCEL 1:

THAT PART OF BLOCKS 33, 34, 35, 48, 49 AND 50, TOGETHER WITH THOSE PARTS OF VACATED STREETS AND VACATED ALLEYS LYING WITHIN SAID BLOCKS, IN CANAL TRUSTEE'S NEW SUBDIVISION OF BLOCKS IN THE EAST FRACTIONAL SOUTHEAST FRACTIONAL QUARTER OF SECTION 21, TOWNSHIP 39 NORTH, RANGE 14, EAST OF THE THIRD PRINCIPAL MERIDIAN, DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTHEAST CORNER OF BLOCK 33 AFORESAID; THENCE SOUTH 0 DEGREES 07 MINUTES 57 SECONDS WEST, ALONG THE EAST LINE OF BLOCK 33 AND BLOCK 50 AFORESAID AND THEIR EXTENSIONS, 831.00 FEET TO THE SOUTHEAST CORNER OF BLOCK 50 AFORESAID; THENCE NORTH 89 DEGREES 53 MINUTES 42 SECONDS WEST, ALONG THE SOUTH LINE OF BLOCK 50 AFORESAID, 332.70 FEET TO THE SOUTHWEST CORNER OF SAID BLOCK 50; THENCE NORTH 0 DEGREES 04 MINUTES 58 SECONDS EAST, ALONG THE WEST LINE OF SAID BLOCK 50, A DISTANCE OF 73.00 FEET; THENCE SOUTH 89 DEGREES 55 MINUTES 02 SECONDS EAST, PERPENDICULAR TO THE LAST DESCRIBED LINE, 25.00 FEET; THENCE NORTH 0 DEGREES 04 MINUTES 58 SECONDS EAST, PERPENDICULAR TO THE LAST DESCRIBED LINE, 46.35 FEET; THENCE NORTH 89 DEGREES 55 MINUTES 02 SECONDS WEST, 25.00 FEET TO THE WEST LINE OF BLOCK 50 AFORESAID; THENCE NORTH 0 DEGREES 04 MINUTES 58 SECONDS EAST, ALONG SAID WEST LINE, 155.73 FEET; THENCE SOUTH 89 DEGREES 55 MINUTES 02 SECONDS EAST, 33.93 FEET; THENCE SOUTH 0 DEGREES 04 MINUTES 58 SECONDS WEST, 16.00 FEET; THENCE SOUTH 89 DEGREES 55 MINUTES 02 SECONDS EAST, 80.00 FEET; THENCE NORTH 0 DEGREES 04 MINUTES 58 SECONDS EAST, 80.30 FEET; THENCE NORTH 89 DEGREES 55 MINUTES 02 SECONDS WEST, 80.00 FEET; THENCE SOUTH 0 DEGREES 04 MINUTES 58 SECONDS WEST, 16.34 FEET; THENCE NORTH 89 DEGREES 55 MINUTES 02 SECONDS WEST, 33.93 FEET TO THE WEST LINE OF BLOCK 50 AFORESAID; THENCE NORTH 0 DEGREES 04 MINUTES 58 SECONDS EAST, ALONG SAID WEST LINE, 56.15 FEET TO A POINT 19.29 FEET SOUTH (AS MEASURED ALONG SAID WEST LINE) OF THE NORTHWEST CORNER OF BLOCK 50 AFORESAID; THENCE SOUTH 89 DEGREES 55 MINUTES 02 SECONDS EAST, 90.00 FEET; THENCE NORTH 0 DEGREES 04 MINUTES 58 SECONDS EAST, 100.00 FEET; THENCE NORTHWESTERLY 93.77 FEET ALONG THE ARC OF A CIRCLE CONVEX TO THE NORTHEAST HAVING A RADIUS OF 186.41 FEET AND WHOSE CHORD BEARS NORTH 75 DEGREES 50 MINUTES 31 SECONDS WEST, 92.79 FEET TO A POINT ON THE WEST LINE OF BLOCK 33 AFORESAID, SAID POINT BEING 37.28 FEET NORTH (AS MEASURED ALONG SAID WEST LINE) OF THE SOUTHWEST CORNER OF BLOCK 33

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AFORESAID; THENCE NORTH 0 DEGREES 04 MINUTES 58 SECONDS EAST, ALONG SAID WEST LINE, 215.98 FEET TO THE INTERSECTION WITH THE NORTH LINE OF THE SOUTH 2.30 FEET OF LOT 3 IN BLOCK 33 AFORESAID; THENCE SOUTH 89 DEGREES 54 MINUTES 03 SECONDS EAST, ALONG SAID NORTH LINE AND ITS EASTERLY EXTENSION, 166.66 FEET TO THE INTERSECTION WITH THE CENTERLINE OF THE NORTH AND SOUTH 30.00 FOOT PUBLIC ALLEY (NOW VACATED) IN SAID BLOCK 33; THENCE NORTH 0 DEGREES 06 MINUTES 28 SECONDS EAST, ALONG SAID CENTERLINE, 113.24 FEET TO THE INTERSECTION WITH THE WESTERLY EXTENSION OF THE NORTH LINE OF LOT 1 IN BLOCK 33 AFORESAID; THENCE SOUTH 89 DEGREES 54 MINUTES 03 SECONDS EAST, ALONG SAID EXTENSION AND THE NORTH LINE OF SAID LOT 1, A DISTANCE OF 166.71 FEET TO THE PLACE OF BEGINNING, IN COOK COUNTY, ILLINOIS.

Permanent Real Estate Index Number(s): 17-21-419-003; 17-21-419-009; 17-21-419-011; 17-21-425-019; 17-21-425-024; 17-21-425-028; 17-21-425-031; 17-21-425-033; 17-21-425-034; 17-21-425-035; 17-21-425-037; 17-21-425-039; 17-21-425-041

Formerly catalogued under PIN numbers 17-21-419-003; 17-21-419-005; 17-21-419-007; 17-21-425-019; 17-21-425-024; 17-21-425-028; 17-21-425-031; 17-21-425-032; 17-21-425-033; 17-21-425-034; 17-21-425-035; 17-21-425-036; 17-21-425-037

Property Address: 30 West Cermak and 2030 South State Street, Chicago, Cook County, Illinois

PARCEL 2 (VACATED S. DEARBORN STREET):

ALL THAT PART OF SOUTH DEARBORN STREET VACATED BY ORDINANCE APPROVED DECEMBER 15, 2004 BY THE CITY COUNCIL OF THE CITY OF CHICAGO, AND RECORDED MARCH 25, 2005 IN THE OFFICE OF THE RECORDER OF DEEDS OF COOK COUNTY, ILLINOIS AS DOCUMENT NO. 0508419047, LYING WEST OF THE WEST LINE OF BLOCK 33, LYING EAST OF THE EAST LINE OF BLOCK 34, LYING SOUTH OF A LINE DRAWN FROM THE NORTHWEST CORNER OF BLOCK 33 TO THE NORTHEAST CORNER OF BLOCK 34 AND LYING NORTH OF THE NORTH LINE OF VACATED SOUTH DEARBORN STREET, VACATED BY ORDINANCE APPROVED MAY 27, 1964 BY THE CITY COUNCIL OF THE CITY OF CHICAGO AND RECORDED JUNE 23, 1964 IN THE OFFICE OF THE RECORDER OF DEEDS OF COOK COUNTY, ILLINOIS AS DOCUMENT NUMBER 19164304, SAID NORTH LINE BEING DESCRIBED AS "A LINE TWO AND THREE-TENTHS (2.30) FEET NORTH OF AND PARALLEL WITH THE SOUTH LINE OF LOT 3 IN SAID BLOCK 33 PRODUCED WEST 66 FEET" ALL IN CANAL TRUSTEES' NEW SUBDIVISION OF THE EAST FRACTION OF FRACTIONAL SOUTHEAST QUARTER OF SECTION 21, TOWNSHIP 39 NORTH, RANGE 14, EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS, SAID PART OF PUBLIC STREET TO BE VACATED BEING FURTHER DESCRIBED AS ALL OF THE REMAINING PORTION OF SOUTH DEARBORN STREET, RUNNING SOUTH FROM THE SOUTH LINE OF WEST CULLERTON STREET FOR A DISTANCE OF 112.8 FEET, MORE OR LESS.

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HUD-REQUIRED PROVISIONS RIDER

THIS RIDER is attached to and made a part of that certain Leasehold Deed of Trust (the "Document"), dated as of May 1, 2005, entered into by and between Bank of America, N.A., as Trustee and Beneficiary, its successors and assigns (the "Bank"), and Hilliard Homes II Limited Partnership, an Illinois limited partnership, its successors and assigns (the "Borrower"), relating to the property commonly known as "30 W. Cermak Road and 2030 S. State Street, Chicago, Illinois." In the event of any conflict, inconsistency or ambiguity between the provisions of this Rider and the provisions of the Document, the provisions of this Rider shall control. All capitalized terms used herein and not otherwise defined herein shall have the meanings given to such terms in the Document. As used herein, the term "HUD" shall mean the United States Department of Housing and Urban Development; the term "FHA" shall mean the Federal Housing Administration, an organizational unit within HUD; the term "Project" shall have the same meaning as in the HUD Regulatory Agreement described below; and the term "HUD/FHA Loan Documents" shall mean the following documents relating to the HUD-insured mortgage loan for the Project (Project No. 071-35758):

1. Firm Commitment, dated September 16, 2004, as amended, issued by the Secretary of HUD and assigned to PNC Multifamily Finance, Inc. (the "Prior Mortgagee");
2. Building Loan Agreement, dated as of May 1, 2005, between the Borrower and Prior Mortgagee (the "Loan Agreement");
3. Mortgage Note, dated as of May 1, 2005, made by the Borrower payable to the order of the Prior Mortgagee in the principal amount of \$3,400,000 (the "Mortgage Note");
4. Mortgage, dated as of May 1, 2005, made by the Borrower in favor of the Prior Mortgagee and encumbering the Project as security for the said Mortgage Note (the "Mortgage");
5. Security Agreement (Chattel Mortgage), dated as of May 1, 2005, between the Borrower, as debtor, and the Prior Mortgagee and/or the Secretary of HUD as their interests may appear, as secured party;
6. Assignment of Leases and Rents, dated as of May 1, 2005, made by the Borrower in favor of the Prior Mortgagee as security for the said Mortgage Note (the "Assignment of Leases");
7. Assignment of Documents and Contracts, dated as of May 1, 2005, made by the Borrower in favor of the Prior Mortgagee as security for the said Mortgage Note (the "Assignment of Contracts");
8. Financing Statements made by the Borrower, as debtor, in favor of the Prior Mortgagee and/or the Secretary of HUD as their interests may appear, as secured party; and

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9. Regulatory Agreement for Multifamily Housing Projects, dated as of May 1, 2005, between the Borrower and HUD (the "HUD Regulatory Agreement").
- R-1 Notwithstanding anything in the Document to the contrary, the provisions of the Document are subordinate to all applicable Federal statutes, HUD mortgage insurance regulations and related HUD directives and administrative requirements. The provisions of the Document are also expressly subordinate to the HUD/FHA Loan Documents. In the event of any conflict between the Document and the provisions of applicable Federal statutes, HUD mortgage insurance regulations, related HUD directives and administrative requirements, or HUD/FHA Loan Documents, the Federal statutes, HUD mortgage insurance regulations, related HUD directives and administrative requirements and HUD/FHA Loan Documents shall control.
- R-2 Failure on the part of the Borrower to comply with the covenants contained in the Document shall not serve as the basis for default on any HUD-insured or HUD-held mortgage on the Project.
- R-3 Compliance by the Borrower with the provisions and covenants of the Document and enforcement of the provisions and covenants contained in the Document, including, but not limited to, any indemnification provisions or covenants, will not and shall not result in any claim or lien against the Project, any asset of the Project, the proceeds of the Mortgage Note, any reserve or deposit required by HUD in connection with the Mortgage transaction or the rents or other income from the Project, other than distributable "surplus cash" (as that term is defined in the HUD Regulatory Agreement); provided, however, that nothing contained in this paragraph R-3 shall limit or restrict the ability of the Bank to (a) enforce the obligation of the Borrower's investor limited partner to timely pay its capital contributions to the Borrower and to acquire a partner's interest in the Borrower under remedies set forth in that certain collateral assignment of partners' interest given by the Borrower to the Bank, dated as of May 1, 2005 (the "Partners' Pledge"), securing the Loan evidenced by the Loan Agreement, but only so long as any successor owner of the Project or partner of the Borrower meets all requirements applicable to such owner or partner as set forth in HUD's regulations and policies for a transfer of physical assets, or (b) enforce and realize on its security interest in the cash account (the "Escrow Account") established with Bank of America, N.A. ("Escrow Agent"), as escrow agent, pursuant to that certain Pledge Agreement dated as of May 1, 2005 among the Issuer, Borrower and Escrow Agent, or (c) enforce any guaranty of payment or construction completion (each a "Guaranty") given by any party.
- R-4 No amendment to the Document made after the date of the HUD initial endorsement of the Mortgage Note shall have any force or effect until and unless such amendment is approved in writing by HUD. No amendment made after the aforesaid date to any HUD/FHA Loan Document shall be binding upon the Bank unless the Bank has consented thereto in writing.
- R-5 Any action prohibited or required by HUD pursuant to applicable Federal law, HUD regulations, HUD directives and administrative requirements or the HUD/FHA Loan Documents, shall supersede any conflicting provision of the Document, and the

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performance or failure to perform of the Borrower in accordance with such laws, regulations, directives, administrative requirements or HUD/FHA Loan Documents shall not constitute an event of default under the Document.

- R-6 So long as HUD is the insurer or holder of any mortgage on the Project or any indebtedness secured by a mortgage on the Project, the Borrower shall not and is not permitted to pay any amount required to be paid under the provisions of the Document from the rents, revenue or other income of the Project, except from distributable Surplus Cash as such term is defined in, and in accordance with, the conditions prescribed in the HUD Regulatory Agreement. Nothing contained in this paragraph R-6 shall limit or restrict the ability of the Bank to pay and apply against the indebtedness of the Borrower to the Bank (a) the amount of any capital contributions or installments thereof paid by Borrower's investor limited partner, or (b) the amounts deposited and held in the Escrow Account or (c) any amounts received as the result of the enforcement of any Guaranty.
- R-7 In the event of the appointment, by any court, of any person, other than HUD or the Prior Mortgagee, as a receiver, as a mortgagee or as a party in possession, or in the event of any enforcement of any assignment of leases, rents, issues, profits, or contracts contained in the Document, with or without court action, no rents, revenue or other income of the Project collected by the receiver, person in possession or person pursuing enforcement as aforesaid shall be utilized for the payment of interest, principal or any other amount due and payable under the provisions of the Document, except from distributable Surplus Cash in accordance with the HUD Regulatory Agreement. The receiver, person in possession or person pursuing enforcement shall operate the Project in accordance with all provisions of the HUD/FHA Loan Documents.
- R-8 A duplicate of each notice given, whether required or permitted to be given, under the provisions of the Document shall also be given to:

Department of Housing and Urban Development
77 West Jackson Blvd.
Chicago, IL 60604

Attention: Director of Multi-Family Housing
Project No. 071-35758

HUD may designate any further or different addresses for such duplicate notices.

- R-9 Subject to compliance with the conditions and requirements of this paragraph, the Borrower and its successors and assigns may sell, convey, transfer, lease, sublease or encumber the Project or any part thereof (other than residential unit leases in the ordinary course of business), provided it obtains prior written consent of HUD to any such sale, conveyance, transfer, lease, sublease or encumbrance. Notwithstanding anything in the Document to the contrary, the Borrower may make application to HUD for approval of a Transfer of Physical Assets in accordance with HUD regulations, directives and policies. A duplicate copy of such application shall be served on the Bank. Within 30 days after such service, the Bank shall serve written notice of their approval of such transfer, or of their requirements for approval of such transfer, on HUD, the Prior Mortgagee and the

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Borrower. No such transfer shall occur or be effective until the Bank's requirements shall have been satisfied. In the event the Bank fail to serve such notice on HUD, the Prior Mortgagee and the Borrower within said time, then any consent by HUD to such transfer shall be deemed to be the Bank's prior written consent to such transfer and consummation of such transfer shall not be a default under the Document.

- R-10 (a) Except as set forth in paragraph R-10(b), the Bank shall have no right (A) to bring an action or proceeding on or pursuant to the terms and provisions of the Document, or (B) to bring an action or proceeding to foreclose the Document, or (C) to commence any bankruptcy, reorganization or insolvency proceeding involving the Borrower, or (D) enforce any remedies they may have under the terms and provisions of the Document or to commence any other enforcement action, in each instance, without the prior written consent of HUD, and if such action or proceeding to foreclose is approved, no tenant of any portion of the Project shall be named as a party defendant in any such action or proceeding, nor will any other action or proceeding be brought or taken with respect to any tenant of any portion of the Project, the effect of which would be to terminate any occupancy or lease of any portion of the Project, unless HUD specifically consents thereto in writing.

The term "enforcement action" shall mean, with respect to the Loan, the acceleration of all or any part of the Loan, any foreclosure proceeding or deed in lieu of foreclosure, the obtaining of a receiver, the taking of possession or control of all or any portion of the Project, the suing on the Loan, the exercising of any bankers' lien or right of set-off or recoupment, or the taking of any other enforcement action against the Project.

- (b) Notwithstanding the provisions of Paragraph R-10 above, the Bank shall not be restricted in the enforcement of its remedies with respect to (i) the Partner's Pledge given by the partners in the Borrower, but only so long as any successor owner of the Project or partner of the Borrower meets all requirements applicable to such owner or partner as set forth in HUD's regulations and policies for a transfer of physical assets and previous participation review; (ii) the pledge of the Escrow Account to the Bank or (iii) any Guaranty.

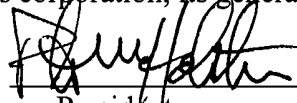
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R-11 Notwithstanding anything in the Document to the contrary, the provisions of this HUD-Rider are for the benefit of and are enforceable by HUD and the Prior Mortgagee.

Executed as of the date set forth above.

HILLIARD HOMES II LIMITED PARTNERSHIP, an Illinois limited partnership

By: HH2 Development Corporation, an Illinois corporation, its general partner

By:  _____
President

The foregoing HUD-Required Provisions Rider hereby acknowledged and consented to by the undersigned as of this 1st day of May, 2005.

BANK OF AMERICA N.A., a national banking association

By: _____
Name: _____
Title: _____

Property of Cook County Clerk's Office

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Executed as of the date set forth above.

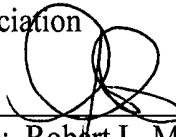
**HILLIARD HOMES II LIMITED
PARTNERSHIP,** an Illinois limited
partnership

By: HH2 Development Corporation, an
Illinois corporation, its general partner

By: _____
President

The foregoing HUD-Required Provisions Rider hereby acknowledged and consented to by the undersigned as of this 1st day of May, 2005.

BANK OF AMERICA N.A., a national
banking association

By:  _____
Name: Robert L. Mattson
Title: Senior Vice President

Property of Cook County Clerk's Office