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This instrument prepared by
and please return to:
Kimberly K. Enders, Esq.
100 West Monroe Street #1500
Chicago, Illinois 60603



Doc#: 0533527040 Fee: \$70.50
Eugene "Gene" Moore RHSP Fee:\$10.00
Cook County Recorder of Deeds
Date: 12/01/2005 12:35 PM Pg: 1 of 24

P.I.N.: 02-15-101-008 Vol. 149
COMMONLY KNOWN AS: 500 West Northwest Highway, Palatine, Illinois

SECOND LOAN MODIFICATION AGREEMENT

This instrument is a Second Loan Modification Agreement ("Second Modification") among American Chartered Bank, an Illinois banking corporation ("Lender"), Fontenay, LLC, an Illinois limited liability company ("Borrower"), Gary A. Doles, James M. Moser and Capital Homes, Inc., an Illinois corporation (collectively "Guarantors") and Michael P. Cloonan ("Cloonan").

RECITALS:

A. Borrower holds fee simple title to certain real estate ("Real Estate") commonly known as 500 West Northwest Highway, Palatine, Illinois, which is legally described on Exhibit A attached hereto. Borrower intends to construct and sell seventeen (17) residential town homes ("Town Homes") and site improvements on the Real Estate (the "Project") of which four (4) Town Homes have been constructed and sold and are omitted from the legal description. Present Guarantors are members or manager of Borrower.

B. On April 8, 2003, Borrower, Guarantors and Richard A. Wilkinson executed and

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delivered to Lender a Construction Loan Agreement (“Loan Agreement”) and the following: (1) a Promissory Note Evidencing a Non-Revolver Line of Credit the amount of \$1,300,000 (“Non-Revolver Note”), which evidences a non-revolving loan in the amount of \$1,300,000 (“Non-Revolver Loan”); (2) a Promissory Note Evidencing a Revolver Line of Credit in the amount of \$1,800,000 (“Revolver Note”), which evidences a revolving loan in the amount of \$1,800,000 (“Revolver Loan”); (3) a \$100,000 Irrevocable Standby Letter of Credit (“PUD Letter of Credit”) to the Village of Palatine to ensure the completion and development of the subdivision as a planned development, which is evidenced by a Reimbursement Agreement in the amount of \$100,000 (“PUD Reimbursement Agreement”); and (4) a \$269,592 Irrevocable Standby Letter of Credit (“Site Improvements Letter of Credit”) to the Village of Palatine to ensure the completion of the public improvements on the Real Estate, which is evidenced by a Reimbursement Agreement in the amount of \$269,592 (“Site Improvements Reimbursement Agreement”). The Non-Revolver Note, Revolver Note, PUD Reimbursement Agreement and Site Improvements Reimbursement Agreement evidence a loan to Borrower in the aggregate amount of \$3,969,592 (“Loan”). To secure the Non-Revolver Note and Revolver Note (collectively “Notes”) and the PUD Reimbursement Agreement and the Site Improvements Reimbursement Agreement (collectively “Reimbursement Agreements”), Borrower executed and delivered to Lender the following documents and items (“Security Documents”):

1. a Real Estate Mortgage, Assignment of Rents, Security Agreement and UCC Fixture Filing (“Mortgage”) executed by Borrower covering the Real Estate, which Mortgage was recorded with the Cook County Recorder of Deeds on April 11, 2003 as Document No. 30493148.
2. Guaranties of Note, Mortgage and Other Undertakings of Guarantors and

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Richard A. Wilkinson (“Guaranties”);

3. an Environmental, ADA and ERISA Indemnification Agreement executed by Borrower, Guarantors and Richard A. Wilkinson;

4. a UCC-1 Financing Statement in connection with the Mortgage executed by Borrower, which was filed and recorded;

5. a General Contractor=s Lien Subordination Agreement;

6. an Assignment and Pledge of Real Estate Contracts and Earnest Money Deposits;

7. an Assignment of Plans and Specifications and Architectural Contract;

8. an Assignment of Site Improvements Plan and Engineering Contract;

9. an Assignment of Permits, Licenses and Government Approvals and Security Agreement; and

10. an Assignment of General Construction Contract.

C. Richard A. Wilkinson died on June 29, 2003. Before his death, Gary A. Doles and James M. Moser purchased his membership interest in Borrower and subsequently sold it to Cloonan. On October 22, 2004, Lender, Borrower, Guarantors and Cloonan entered into an Assumption Agreement (“Assumption”) pursuant to which Borrower and Guarantors acknowledged the default of the Notes and Security Documents caused by the death of Richard A. Wilkinson and the purchase of Richard A. Wilkinson’s membership interests in Borrower and the sale of membership interests in Borrower to Cloonan and Lender waived the above-referenced defaults of the Notes and Security Documents and permitted Guarantors and Cloonan to assume the guaranty of the Loan. The Assumption was recorded on November 3, 2004 as Document No. 0430803068.

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Guarantors and Cloonan are collectively referred to as "Present Guarantors."

D. On March 4, 2004, Lender issued its First Amendment to the PUD Letter of Credit and extended its due date until October 8, 2004, and its First Amendment to the Site Improvements Letter of Credit and extended its due date to October 8, 2004 and reduced the amount to \$93,945.44. On September 20, 2004, Lender issued its Second Amendment to the PUD Letter of Credit and extended its due date until April 8, 2005 and its Second Amendment to the Site Improvements Letter of Credit and extended its due date until April 8, 2005.

E. As of October 1, 2004, Borrower, Present Guarantors and Lender entered into a Loan Modification Agreement ("Modification"), pursuant to which the date for final payment of the Notes was extended from October 1, 2004 until October 1, 2005 ("Maturity Date"). The Modification was recorded on November 3, 2004 as Document No. 0430803067.

F. Borrower and Present Guarantors have now requested Lender to extend the Maturity Date for payment of the Loan from October 1, 2005 to October 1, 2006 and to increase the Non-Revolving Loan by \$100,000 in order to provide a reserve to pay interest on the Loan and increase the aggregate funding amount of the Revolving Loan by \$100,000 in order to fund general construction costs. Lender is agreeable to these requests subject to the covenants, conditions and restrictions contained herein.

NOW, THEREFORE, in consideration of good and valuable consideration, the parties agree as follows:

1. The current balance of the Non-Revolving Note is \$563,411. Pursuant to Section 2.4 of the Loan Agreement, Lender established an interest reserve. Lender and Borrower anticipate that an additional \$100,000 of interest will be paid on the Loan and Lender agrees to increase the amount

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of the Non-Revolver Loan by \$100,000 and will reserve \$100,000 from the Non-Revolver Loan for an additional interest reserve. The Non-Revolver Note is hereby modified and amended in its entirety by the revised Non-Revolver Note in the amount of \$663,411, which matures on October 1, 2006, executed concurrently herewith, a copy of which is attached hereto as Exhibit B ("Revised Non-Revolver Note").

2. The current balance of the Revolver Note is \$1,072,891. Pursuant to Section 8.3 of the Loan Agreement, the Project must be In-Balance, that is there must be sufficient funds available to complete construction of the Project. Pursuant to Exhibit B of the Loan Agreement, the maximum amount of funds disbursed by Lender pursuant to the Revolver Loan is \$3,574,912. Borrower anticipates that it may need an additional \$100,000 to fund construction costs due to increases in labor and material costs, and therefore requests an increase in the aggregate funding amount of \$100,000 to \$3,674,912. Nevertheless, the Revolver Loan will not exceed \$1,800,000 outstanding at any time. The Revolver Note is hereby modified and amended in its entirety by the revised Revolver Note in the amount of \$1,800,000, which matures on October 1, 2006, executed concurrently herewith, a copy of which is attached hereto as Exhibit C ("Revised Revolver Note").

3. Borrower and Present Guarantors acknowledge that Lender has extended the expiration date of the PUD Letter of Credit and the Site Improvements Letter of Credit from April 8, 2005 until April 8, 2006, and renew their obligation to repay drafts pursuant to the Reimbursement Agreements.

4. The Real Estate has been submitted to a Plat of Subdivision. Four (4) of the Town Homes have been sold and released from the Mortgage and other Security Documents.

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5. This Second Modification shall be effective upon Lender's receipt of this Second Modification executed by the parties hereto and the following documents and items:

- (a) the Revised Non-Revolver Note;
- (b) the Revised Revolver Note;
- (c) a Revised Guaranty executed by the Present Guarantors;
- (d) a title insurance policy or endorsement to its current title insurance policy which insures the Mortgage as modified by this Second Modification as a first lien on the Real Estate and increases the amount of title insurance by \$100,000, subject only to such exceptions as Lender shall permit;
- (e) updated certificates of insurance as required by the Mortgagee, if any;
- (f) payment of Lender's fee and costs as provided in Section 11 hereof;
- (g) an organizational resolution from Borrower;
- (h) a Certificate of Good Standing from Borrower;
- (i) a corporate resolution from Capital Homes, Inc., as Borrower's Manager and as a Guarantor;
- (j) a Certificate of Good Standing from Capital Homes, Inc.; and
- (k) a consent to this Second Modification executed by Lake County Grading Company, LLC.

6. This Second Modification shall constitute an amendment of the Security Documents and wherever in said instruments or in any other instrument evidencing or securing the indebtedness evidenced by the Non-Revolver Note and the Revolver Note ("Loan Documents") reference is made to the Loan Documents aforesaid, such reference shall be deemed a reference to such Loan

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Documents as hereby modified and amended. All other provisions of the Loan Documents remain unchanged. Nothing herein contained shall in any manner affect the lien or priority of the Mortgage, or the covenants, conditions and agreements therein contained or contained in the Non-Revolving Note or the Revolving Note.

7. In the event of conflict between any of the provisions of the Loan Documents and this instrument, the provisions of this instrument shall override and control.
8. Borrower and Present Guarantors hereby renew, remake and affirm the representations and warranties contained in the Loan Documents.
9. Borrower hereby agrees to pay Lender a fee for this Second Modification in the amount of \$13,400 ("Extension Fee") plus Lender's expenses arising out of and in connection with this Second Modification including, but not limited to, attorneys' fees, title insurance premiums and filing fees.
10. Present Guarantors hereby affirm their obligations under their Guaranty and agree that the Guaranty are amended and extended to cover and guaranty the Non-Revolving Note and the Revolving Note and Loan Agreement as modified by this Second Modification. All references in the Guaranty to the Non-Revolving Note and Revolving Note shall mean the Non-Revolving Note and Revolving Note as revised herein. Present Guarantors hereby expressly acknowledge and confirm that by executing this Second Modification, Lender has not waived, altered or modified Lender's rights under any of the Loan Documents to amend, extend, renew or modify or otherwise deal with the obligations of the parties hereto or any of the security given to Lender in connection therewith without the consent of Present Guarantors and without such action releasing, modifying, or affecting the obligations of Present Guarantors or affecting the security heretofore granted to

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Lender.

11. **BORROWER AND PRESENT GUARANTORS KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE IRREVOCABLY THE RIGHT THEY MAY HAVE TO TRIAL BY JURY WITH RESPECT TO ANY LEGAL PROCEEDING BASED HEREON, OR ARISING OUT OF, UNDER OR IN CONNECTION WITH LOAN DOCUMENTS OR ANY OF THE DOCUMENTS EXECUTED OR CONTEMPLATED TO BE EXECUTED IN CONJUNCTION HEREWITH OR ANY COURSE OF CONDUCT OR COURSE OF DEALING, IN WHICH LENDER AND BORROWER AND PRESENT GUARANTORS ARE ADVERSE PARTIES. THIS PROVISION IS A MATERIAL INDUCEMENT FOR LENDER IN GRANTING ANY FINANCIAL ACCOMMODATION TO BORROWER, PRESENT GUARANTORS OR ANY OF THEM.**

12. Borrower and Present Guarantors hereby irrevocably submit to the jurisdiction of any state or federal court sitting in Chicago, Illinois over any action or proceeding based hereon and Borrower and Present Guarantors hereby irrevocably agree that all claims in respect of such action or proceeding shall be heard and determined in such state or federal court. Borrower and Present Guarantors hereby irrevocably waive, to the fullest extent they may effectively do so, the defense of an inconvenient forum to the maintenance of such action or proceeding. Borrower, Present Guarantors irrevocably consent to the service of any and all process in any such action or proceeding by the mailing of copies of such process to such Borrower or Present Guarantors, at their addresses as specified herein or otherwise in the records of the Lender. Borrower and Present Guarantors agree that a final judgment in any such action or proceeding shall be conclusive and may be enforced in any other jurisdiction by suit on the judgment or in any other manner provided by law.

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Borrower and Present Guarantors agree not to institute any legal action or proceeding against Lender or the directors, officers, employees, agents or property thereof, in any court other than the one hereinabove specified. Nothing in this Section shall affect the right of Lender to serve legal process in any other manner permitted by law or affect the right of Lender to bring any action or proceeding against Borrower, Present Guarantors or their property in the courts of any other jurisdictions.

13. Borrowers and Present Guarantors warrant to Lender that neither Borrowers nor Present Guarantors nor any affiliate is identified in any list of known or suspected terrorists published by any United States government agency (collectively, as such lists may be amended or supplemented from time to time, referred to as the "Blocked Persons Lists") including, without limitation: (a) the annex to Executive Order 13224 issued on September 23, 2001, and (b) the Specially Designated Nationals List published by the Office of Foreign Assets Control.

Borrowers and Present Guarantors covenant to Lender that if they become aware that they or any affiliate is identified on any Blocked Persons List, Borrowers and Present Guarantors shall immediately notify Lender in writing of such information. Borrowers and Present Guarantors further agree that in the event they or any affiliate is at any time identified on any Blocked Persons List, such event shall be an Event of Default, and shall entitle Lender to exercise any and all remedies provided in any Loan Document or otherwise permitted by law. In addition, Lender may immediately contact the Office of Foreign Assets Control and any other government agency Lender deems appropriate in order to comply with its obligations under any law, regulation, order or decree regulating or relating to terrorism and international money laundering. Upon the occurrence of such Event of Default, Lender will forbear enforcement of its rights and remedies during such time as: (1) the

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person (“Person”) identified in a Blocked Persons List is contesting in good faith by appropriate legal proceedings such Person’s inclusion in a Blocked Persons List, and (2) Lender determines, in its sole and absolute discretion, that such forbearance will not adversely affect title to, the condition or value of, or any lien in favor of Lender and encumbering, any part of the Premises (as defined in the Mortgage) or otherwise adversely impact the ability of any Person to perform such Person=s obligations under or with respect to any Loan Documents.

Signature page follows

Property of Cook County Clerk's Office

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IN WITNESS WHEREOF, the parties hereto have executed this Second Modification
on 11/21/05, 2005.

LENDER:

American Chartered Bank, an Illinois banking corporation

By: [Signature]
Its: Vice Pres

Attest: [Signature]
Its: BANK OFFICER

BORROWER:

Fontenay, LLC, an Illinois limited liability company

By: Capital Homes, Inc., an Illinois corporation, its Manager

By: [Signature]
Its: PRESIDENT

PRESENT GUARANTORS:

[Signature]
Gary A. Doles

[Signature]
James M. Moser

[Signature]
Michael P. Cloonan

Capital Homes, Inc., an Illinois corporation

By: [Signature]
Its: [Signature]

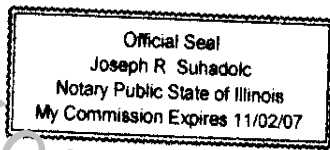
Attest: [Signature]
Its: [Signature]

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STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

The undersigned, a Notary Public in and for the State and County aforesaid, does hereby certify that RENÉE L. A. LIBERT, and TANIA C. WASNIENSKI SENIOR President and BANK OFFICER of American Chartered Bank, personally known to me to be the same persons whose names are subscribed to the foregoing instrument, appeared before me this day in person and acknowledged that they signed and delivered the said instrument as their own free and voluntary act and as the free and voluntary act of said Bank, for the uses and purposes therein set forth.

GIVEN under my hand and Notarial Seal 11/21, 2005.



[Signature]
Notary Public

STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

The undersigned, a Notary Public in and for the State and County aforesaid, does hereby certify that Gary A. Jones, President of Capital Homes, Inc., an Illinois corporation, individually and as manager of Fontenay, LLC, an Illinois limited liability company, personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person and acknowledged that he/she signed and delivered the said instrument as his/her own free and voluntary act and as the free and voluntary act of said limited liability company, for the uses and purposes therein set forth.

GIVEN under my hand and Notarial Seal 11/18, 2005.



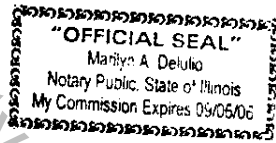
[Signature]
Notary Public

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STATE OF ILLINOIS)
) SS
COUNTY OF C O O K)

The undersigned, a Notary Public in and for the State and County aforesaid, does hereby certify that Gary A. Doles, personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person and acknowledged that he signed and delivered the said instrument as his own free and voluntary act, for the uses and purposes therein set forth.

GIVEN under my hand and Notarial Seal 11/18, 2005.

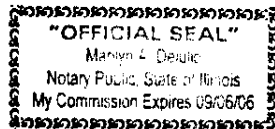


Marilyn A. Delulio
Notary Public

STATE OF ILLINOIS)
) SS
COUNTY OF C O O K)

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

GIVEN under my hand and Notarial Seal 11/18, 2005.



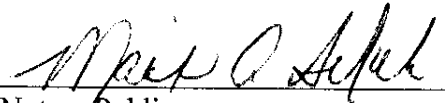
Marilyn A. Delulio
Notary Public

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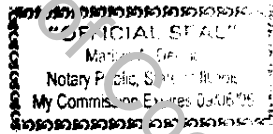
STATE OF ILLINOIS)
) SS
 COUNTY OF C O O K)

The undersigned, a Notary Public in and for the State and County aforesaid, does hereby certify that Michael P. Cloonan, personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person and acknowledged that he signed and delivered the said instrument as his own free and voluntary act, for the uses and purposes therein set forth.

GIVEN under my hand and Notarial Seal 11/21, 2005.



 Notary Public



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EXHIBIT A

LEGAL DESCRIPTION:

Parcel 1:

Lots 1, 2, 4 to 9, inclusive, and Lots 13 to 18, inclusive, in Fontenay, a subdivision of parts of the southwest quarter of Section 10 and the northwest quarter of Section 15, all in Township 42 north, Range 10 east of the Third Principal Meridian, according to the plat thereof recorded July 28, 2003 as document 0320927093, in Cook County, Illinois.

Parcel 2:

Easement for ingress and egress, for the benefit of Parcel 1, over and across that part of Lot 1 in Fontenay depicted as ingress and egress easement as created by the plat of subdivision recorded as document 0320927093.

P.I.N.: 02-15-101-008 Vol. 149

COMMONLY KNOWN AS: 500 West Northwest Highway
Palatine, Illinois

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EXHIBIT B

PROMISSORY NOTE EVIDENCING A NON-REVOLVING LINE OF CREDIT (“Revised Non-Revolving Note”)

\$663,410.87

November 21, 2005

FOR VALUE RECEIVED the undersigned, Fontenay, LLC, an Illinois limited liability company (“Borrower”), promises to pay to the order of American Chartered Bank (said Bank and each successive owner and holder of this Note being hereinafter called “Holder”), the principal sum of Six Hundred Sixty-Three Thousand Four Hundred Ten and Eighty-Seven Hundredths Dollars (\$663,410.87), or so much thereof as may from time to time be outstanding hereunder, together with interest on the balance of principal from time to time remaining unpaid, in the amounts, at the rates and on the dates hereafter set forth.

The rate of interest payable on this Note will change from time to time as hereafter provided. Monthly payments on account of this Note shall be adjusted from time to time as the rate of interest changes. Payments on account of this Note shall be made as follows:

(a) On May 1, 2003, and on the first day of each succeeding calendar month to and including the Maturity Date (as defined hereafter), there shall be paid interest only, in arrears, on the outstanding principal balance at a rate equal to the greater of five and a quarter (5.25%) percent or the prime rate of interest in effect from time to time at American Chartered Bank plus one (1.0%) percent per annum.

(b) On October 1, 2006 (“Maturity Date”), the principal balance together with all accrued interest and all other amounts due hereunder shall be paid.

The prime rate of American Chartered Bank is currently the highest prime rate of interest published in The Wall Street Journal. If this index is no longer available, the Bank will choose a new index in compliance with applicable law and will notify Borrower of its choice. Borrower acknowledges that it is advised that said rate is not Bank’s lowest or most favorable lending rate.

Interest shall be calculated on the basis of a year having 360 days and paid based on the actual days outstanding.

Payment upon this Note shall be made in lawful money of the United States at such place as the Holder of this Note may from time to time in writing appoint and in the absence of such appointment, shall be made at the offices of American Chartered Bank, 1199 E. Higgins Road, Schaumburg, Illinois 60173.

This Note may be prepaid, without premium or penalty, in whole or in part, and all accrued interest hereon shall be payable and shall be paid on the date of prepayment.

Without limiting the provisions of the succeeding paragraphs, in the event any payment of interest is not paid within ten (10) days after the date the same is due, the undersigned promises to

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EXHIBIT B

pay a "Late Charge" of five (5%) percent of the amount so overdue to defray the expense incident to handling any such delinquent payment or payments.

This Note is executed pursuant to a Second Loan Modification Agreement executed concurrently herewith ("Second Modification"). This Note replaces that certain Promissory Note in the amount of \$1,300,000 ("Original Note") made by Borrower on April 8, 2003. The Original Note was executed pursuant to a Construction Loan Agreement ("Loan Agreement") and is secured by a Real Estate Mortgage, Assignment of Rents, Security Agreement and UCC-2 Financing Statement ("Mortgage") executed on April 8, 2003 and recorded on April 11, 2003 with the Cook County Recorder of Deeds as Document No. 30493148. Amounts outstanding pursuant to the Original Note shall be outstanding under this Note. All interest rates applicable to and charged on the Original Note and all payments made on the Original Note are unchanged. Pursuant to the Modification, the Mortgage and other security documents ("Security Documents") are modified to secure this Note.

Except for funding \$100,000, the Interest Reserve described in the Loan Agreement, Bank has fully funded this Note and is not obligated to fund any additional funds.

At the election of the Holder hereof, without notice, the principal sum remaining unpaid hereon, together with accrued interest, shall be and become at once due and payable in the case of default in the payment of principal or interest or in the payment of any other monies when due in accordance with the terms hereof or upon the occurrence of any "Event of Default" under the Mortgage, the Loan Agreement or Security Documents.

Under the provisions of the Mortgage and the Loan Agreement, the unpaid balance hereunder may, at the option of the Holder, be accelerated and become due and payable forthwith upon the happening of certain events as set forth therein. The Mortgage and the Loan Agreement are, by this reference, incorporated herein in their entirety and notice is given of such possibility of acceleration.

The principal hereof, including each installment of principal, shall bear interest after the occurrence of an event of default, not cured within the applicable cure period, at the annual rate (herein called the "Default Rate") determined by adding five (5%) percentage points to the interest rate then required to be paid, as above provided, on the principal balance.

Borrower waives notice of default, presentment, notice of dishonor, protest and notice of protest.

If this Note is placed in the hands of an attorney for collection or is collected through any legal proceeding, the undersigned promise to pay all costs incurred by Bank in connection therewith including, but not limited to, court costs, litigation expense and reasonable attorneys' fees.

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EXHIBIT B

Payments received on account of this Note shall be applied first to the payment of any amounts due pursuant to the next preceding paragraph, secondly to interest and Late Charges and the balance to principal.

Funds representing the proceeds of the indebtedness evidenced herein which are disbursed by Holder by mail, wire transfer or other delivery to Borrower, Escrowees or otherwise for the benefit of Borrower shall, for all purposes, be deemed outstanding hereunder and received by Borrower as of the date of such mailing, wire transfer or other delivery, and interest shall accrue and be payable upon such funds from and after the date of such mailing, wire transfer or other delivery until repaid to Holder, notwithstanding the fact that such funds may not at any time have been remitted by such Escrowees to the Borrower.

BORROWER KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES IRREVOCABLY THE RIGHT IT MAY HAVE TO TRIAL BY JURY WITH RESPECT TO ANY LEGAL PROCEEDING BASED HEREON, OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS NOTE, MORTGAGE OR ANY OF THE OTHER OBLIGATIONS, OR THE COLLATERAL SECURED BY THE SECURITY DOCUMENTS, OR ANY AGREEMENT, EXECUTED OR CONTEMPLATED TO BE EXECUTED IN CONJUNCTION HERewith OR ANY COURSE OF CONDUCT OR COURSE OF DEALING, IN WHICH HOLDER AND BORROWER ARE ADVERSE PARTIES. THIS PROVISION IS A MATERIAL INDUCEMENT FOR HOLDER IN GRANTING ANY FINANCIAL ACCOMMODATION TO BORROWER.

Borrower hereby irrevocably submits to the jurisdiction of any state or federal court sitting in Chicago, Illinois over any action or proceeding based hereon and Borrower hereby irrevocably agrees that all claims in respect of such action or proceeding shall be heard and determined in such state or federal court. Borrower hereby irrevocably waives, to the fullest extent they may effectively do so, the defense of an inconvenient forum to the maintenance of such action or proceeding. Borrower irrevocably consents to the service of any and all process in any such action or proceeding by the mailing of copies of such process to such Borrower at its address as specified herein or otherwise in the records of the Holder. Borrower agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in any other jurisdiction by suit on the judgment or in any other manner provided by law.

Borrower agrees not to institute any legal action or proceeding against Holder or the directors, officers, employees, agents or property thereof, in any court other than the one hereinabove specified. Nothing in this Section shall affect the right of Holder to serve legal process in any other manner permitted by law or affect the right of Holder to bring any action or proceeding against Borrower or its property in the courts of any other jurisdictions.

Borrower warrants to Holder that neither the Borrower nor any affiliate is identified in any list of known or suspected terrorists published by an United States government agency (collectively,

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EXHIBIT B

as such lists may be amended or supplemented from time to time, referred to as the “**Blocked Persons Lists**”) including, without limitation, (a) the annex to Executive Order 13224 issued on September 23, 2001, and (b) the Specially Designated Nationals List published by the Office of Foreign Assets Control.

Borrower covenants to Holder that if it becomes aware that it or any affiliate is identified on any Blocked Persons List, the Borrower shall immediately notify the Holder in writing of such information. Borrower further agrees that in the event it or any Affiliate is at any time identified on any Blocked Persons List, such event shall be an Event of Default, and shall entitle Holder to exercise any and all remedies provided in any Loan Document or otherwise permitted by law. In addition, the Holder may immediately contact the Office of Foreign Assets Control and any other government agency the Holder deems appropriate in order to comply with its obligations under any law, regulation, order or decree regulating or relating to terrorism and international money laundering. Upon the occurrence of such Event of Default, Holder will forbear enforcement of its rights and remedies during such time as (1) the person (“Person”) identified in a Blocked Persons List is contesting in good faith by appropriate legal proceedings such Person’s inclusion in a Blocked Persons List and (2) the Holder determines, in its sole and absolute discretion, that such forbearance will not adversely affect title to, the condition or value of, or any lien in favor of the Holder and encumbering, any part of the Premises (as defined in the Mortgage) or otherwise adversely impact the ability of any Person to perform such Person’s obligations under or with respect to any Loan Documents.

Time is of the essence of this Note and each provision hereof.

Fontenay, LLC, an Illinois limited liability company

By: Capital Homes, Inc., an Illinois corporation,
its manager

By: _____
Its: _____

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EXHIBIT C

PROMISSORY NOTE EVIDENCING A REVOLVING LINE OF CREDIT ("Revised Revolving Note")

\$1,800,000.00

November 21, 2005

FOR VALUE RECEIVED the undersigned, Fontenay, LLC, an Illinois limited liability company ("Borrower"), promises to pay to the order of American Chartered Bank, an Illinois banking corporation (said Bank and each successive owner and holder of this Note being hereinafter called "Holder"), the principal sum of One Million Eight Hundred Thousand (\$1,800,000) Dollars, or so much thereof as may from time to time be outstanding hereunder, together with interest on the balance of principal from time to time remaining unpaid, in the amounts, at the rates and on the dates hereafter set forth.

The rate of interest payable on this Note will change from time to time as hereafter provided. Monthly payments on account of this Note shall be adjusted from time to time as the rate of interest changes. Payments on account of this Note shall be made as follows:

(a) On May 1, 2006, and on the first day of each succeeding calendar month to and including the Maturity Date (as defined hereafter), there shall be paid interest only, in arrears, on the outstanding principal balance at a rate equal to the greater of five and a quarter (5.25%) percent or the prime rate of interest in effect from time to time at American Chartered Bank plus one (1.0%) percent per annum.

(b) On October 1, 2006 ("Maturity Date"), the principal balance together with all accrued interest and all other amounts due hereunder shall be paid.

The prime rate of American Chartered Bank is currently the highest prime rate of interest published in The Wall Street Journal. If this index is no longer available, Bank will chose a new index in compliance with applicable law and will notify Borrower of its choice. Borrower acknowledges that it is advised that said rate is not Bank's lowest or most favorable lending rate.

Interest shall be calculated on the basis of a year having three hundred sixty (360) days and paid based on the actual days outstanding.

Payment upon this Note shall be made in lawful money of the United States at such place as the Holder of this Note may from time to time in writing appoint and in the absence of such appointment, shall be made at the offices of American Chartered Bank, 1199 East Higgins Road, Schaumburg, Illinois 60173.

This Note may be prepaid, without premium or penalty, in whole or in part, and all accrued interest hereon shall be payable and shall be paid on the date of prepayment.

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Without limiting the provisions of the succeeding paragraphs, in the event any payment of interest is not paid within ten (10) days after the date the same is due, the undersigned promises to pay a late charge ("Late Charge") of five (5.0%) percent of the amount so overdue to defray the expense incident to handling any such delinquent payment or payments.

This Note is executed pursuant to a Second Loan Modification Agreement executed concurrently herewith ("Second Modification"). This Note replaces that certain Promissory Note in the amount of \$1,800,000 ("Original Note") made by Borrower on April 8, 2003. The Original Note was executed pursuant to a Construction Loan Agreement ("Loan Agreement") and is secured by a Real Estate Mortgage, Assignment of Rents, Security Agreement and UCC-2 Financing Statement ("Mortgage") executed on April 8, 2003 and recorded on April 11, 2003 with the Cook County Recorder of Deeds as Document No. 30493148. Amounts outstanding pursuant to the Original Note shall be outstanding under this Note. All interest rates applicable to and charged on the Original Note and all payments made on the Original Note are unchanged. Pursuant to the Modification, the Mortgage and other security documents ("Security Documents") are modified to secure this Note.

This Note evidences a revolving line of credit loan. Borrower may obtain funds by requesting loans ("Loans") pursuant to the Loan Agreement. Borrower agrees that Holder will not be required to make Loans: (i) for less than \$500.00; (ii) which would cause the outstanding loan balance to exceed \$1,800,000 or more than \$3,674,912 in the aggregate over the term of the Loan ("Credit Limit"); (iii) if Borrower is in default under this Note, the Loan Agreement or Security Documents securing this Note and the Loan Agreement; or (iv) at any time after August 31, 2006. Borrower agrees not to exceed the Credit Limit. This is a revolving line of credit in that repayments of principal will reduce the outstanding balance of the Loan, and amounts up to the Credit Limit will be available for Loan requests subject to the provisions of this Note and the Loan Agreement.

At the election of the Holder hereof, without notice, the principal sum remaining unpaid hereon, together with accrued interest, shall be and become at once due and payable in the case of default in the payment of principal or interest or in the payment of any other monies when due in accordance with the terms hereof or upon the occurrence of any "Event of Default" under the Mortgage, Loan Agreement or Security Documents.

Under the provisions of the Mortgage, Loan Agreement and Security Documents, the unpaid balance hereunder may, at the option of the Holder, be accelerated and become due and payable forthwith upon the happening of certain events as set forth therein. The Mortgage, Loan Agreement and Security Documents are, by this reference, incorporated herein in their entirety and notice is given of such possibility of acceleration.

The principal hereof, including each installment of principal, shall bear interest after the occurrence of an event of default, not cured within the applicable cure period, at the annual rate

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(herein called the "Default Rate") determined by adding five (5.0%) percentage points to the interest rate then required to be paid, as above provided, on the principal balance.

Borrower waives notice of default, presentment, notice of dishonor, protest and notice of protest.

If this Note is placed in the hands of an attorney for collection or is collected through any legal proceeding, the undersigned promise to pay all costs incurred by Holder in connection therewith including, but not limited to, court costs, litigation expenses and reasonable attorneys' fees.

Payments received on account of this Note shall be applied first to the payment of any amounts due pursuant to the next preceding paragraph, second to interest and Late Charges and the balance to principal.

Funds representing the proceeds of the indebtedness evidenced herein which are disbursed by Holder by mail, wire transfer or other delivery to Borrower, escrowees or otherwise for the benefit of Borrower shall, for all purposes, be deemed outstanding hereunder and received by Borrower as of the date of such mailing, wire transfer or other delivery, and interest shall accrue and be payable upon such funds from and after the date of such mailing, wire transfer or other delivery until repaid to Holder, notwithstanding the fact that such funds may not at any time have been remitted by escrowees to Borrower.

BORROWER KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES IRREVOCABLY THE RIGHT IT MAY HAVE TO TRIAL BY JURY WITH RESPECT TO ANY LEGAL PROCEEDING BASED HEREON, OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS NOTE, MORTGAGE, LOAN AGREEMENT OR ANY OF THE OTHER OBLIGATIONS, OR THE COLLATERAL SECURED BY THE SECURITY DOCUMENTS, OR ANY AGREEMENT, EXECUTED OR CONTEMPLATED TO BE EXECUTED IN CONJUNCTION HERewith OR ANY COURSE OF CONDUCT OR COURSE OF DEALING, IN WHICH HOLDER AND BORROWER ARE ADVERSE PARTIES. THIS PROVISION IS A MATERIAL INDUCEMENT FOR HOLDER IN GRANTING ANY FINANCIAL ACCOMMODATION TO BORROWER.

Borrower hereby irrevocably submits to the jurisdiction of any state or federal court sitting in Cook County, Illinois over any action or proceeding based hereon and Borrower hereby irrevocably agrees that all claims in respect of such action or proceeding shall be heard and determined in such court. Borrower hereby irrevocably waives, to the fullest extent it may effectively do so, the defense of an inconvenient forum to the maintenance of such action or proceeding. Borrower irrevocably consents to the service of any and all process in any such action or proceeding by the mailing of copies of such process to Borrower at its address as specified in the records of Holder. Borrower agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in any other jurisdiction by suit on the judgment or in any other manner provided by law.

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Borrower agrees not to institute any legal action or proceeding against Holder or the directors, officers, employees, agents or property thereof, in any court other than the one hereinabove specified. Nothing in this Section shall affect the right of Holder to serve legal process in any other manner permitted by law or affect the right of Holder to bring any action or proceeding against Borrower or its property in the courts of any other jurisdictions.

Borrower warrants to Holder that neither the Borrower nor any affiliate is identified in any list of known or suspected terrorists published by an United States government agency (collectively, as such lists may be amended or supplemented from time to time, referred to as the “**Blocked Persons Lists**”) including, without limitation, (a) the annex to Executive Order 13224 issued on September 23, 2001, and (b) the Specially Designated Nationals List published by the Office of Foreign Assets Control.

Borrower covenants to Holder that if it becomes aware that it or any affiliate is identified on any Blocked Persons List, the Borrower shall immediately notify the Holder in writing of such information. Borrower further agrees that in the event it or any Affiliate is at any time identified on any Blocked Persons List, such event shall be an Event of Default, and shall entitle Holder to exercise any and all remedies provided in any Loan Document or otherwise permitted by law. In addition, the Holder may immediately contact the Office of Foreign Assets Control and any other government agency the Holder deems appropriate in order to comply with its obligations under any law, regulation, order or decree regulating or relating to terrorism and international money laundering. Upon the occurrence of such Event of Default, Holder will forbear enforcement of its rights and remedies during such time as (1) the person (“Person”) identified in a Blocked Persons List is contesting in good faith by appropriate legal proceedings such Person’s inclusion in a Blocked Persons List and (2) the Holder determines, in its sole and absolute discretion, that such forbearance will not adversely affect title to, the condition or value of, or any lien in favor of the Holder and encumbering, any part of the Premises (as defined in the Mortgage) or otherwise adversely impact the ability of any Person to perform such Person’s obligations under or with respect to any Loan Documents.

Time is of the essence of this Note and each provision hereof.

Fontenay, LLC, an Illinois limited liability company

By: Capital Homes, Inc., Illinois corporation,
its Manager

By
Its

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CONSENT OF JUNIOR MORTGAGE LIEN HOLDER

Lake County Grading Company, LLC, an Illinois limited liability company, hereby consents to the foregoing Second Loan Modification Agreement, between American Chartered Bank as Lender and Fontenay, LLC as Borrower.

Lake County Grading Company, LLC, an Illinois limited liability company

By: *Mark Rich*, its Managing Member

STATE OF ILLINOIS)
) SS
COUNTY OF L A K E)

The undersigned, a Notary Public in and for the State and County aforesaid, do hereby certify that MARK RICH, managing member of Lake County Grading Company, LLC, an Illinois limited liability company, personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person and acknowledged that he signed and delivered the said instrument as his own free and voluntary act, and for the free and voluntary act of said limited liability company, for the uses and purposes therein set forth.

GIVEN under my hand and Notarial Seal 11/18, 2005.

Mariyn A. Detulio
Notary Public

