

THIS INSTRUMENT WAS PREPARED
BY AND AFTER RECORDING RETURN

TO: Crystal Maher, Esq.
Illinois Housing Development Authority
401 N. Michigan Ave., Suite 900
Chicago, IL 60611



SUBORDINATION AGREEMENT

THIS SUBORDINATION AGREEMENT (the "Agreement") is made and entered into as of this 1st day of June, 1998, by Prairie Mortgage Company, an Illinois corporation (the "Mortgagee"), having its principal offices at 819 South Wabash Avenue, Suite 508, Chicago, Illinois 60605, for the benefit of Willard Square Limited Partnership, an Illinois limited partnership (the "Owner") having its principal offices at 205 West Monroe Street, Suite 5 West, Chicago, Illinois and the Illinois Housing Development Authority, a body politic and corporate of the State of Illinois established by and existing pursuant to the Illinois Housing Development Act, 20 ILCS 3805/1 et. seq. (1996), as amended from time to time, having its principal office at 401 N. Michigan Avenue, Suite 900, Chicago, Illinois 60611.

RECITALS

- A. The Owner is the fee owner of that certain real property located in the City of Chicago, County of Cook, State of Illinois, as more particularly described on Exhibit A attached hereto and made a part of this Agreement (the "Real Estate").
- B. The Owner has rehabilitated and constructed a multi-family housing development on the Real Estate; the Real Estate and the improvements constructed thereon in this instance are referred to in this Agreement as the "Development."
- C. The Owner has received from the Authority, as the state housing credit agency for the State of Illinois, a reservation of federal low-income housing tax credits ("Tax Credits") for the Development.
- D. Section 42 of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder (collectively, "Section 42") require, as a condition of taking into account Tax Credits for the Development, that the Owner and the Authority enter into an extended use agreement which sets forth certain occupancy and rent restrictions affecting the Development. The Owner and the Authority have entered into a certain Extended Use Agreement dated October 1, 1996 (the "Extended Use Agreement"), which sets forth certain occupancy and rent restrictions affecting the Development. The Extended Use Agreement was recorded on October 25, 1996, as Document No. 96818104 in the Office of the Recorder of the Deeds of Cook County, Illinois (the "Official Records"), as required by Section 42.

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E. Section 42(l)(6)(E)(ii), which is incorporated into the Extended Use Agreement, requires that the Extended Use Agreement, and the occupancy and rental restrictions contained therein, be terminated as a result of a transfer of the Development to a lender following a foreclosure or pursuant to a deed-in-lieu of foreclosure or similar instrument (unless the Secretary of the Department of Housing and Urban Development determines that such acquisition is part of an arrangement with the taxpayer, the purpose of which is to terminate the extended use period). However, notwithstanding such termination, Section 42 requires that certain provisions of the Extended Use Agreement (collectively, the "Surviving Provisions") shall continue to have effect for a period ending on the close of the three (3) year period following the termination of other provisions of the Extended Use Agreement (the "Surviving Term") such that the transferee pursuant to such foreclosure or deed-in-lieu of foreclosure will be prohibited from causing:

- (a) the eviction or the termination of tenancy (other than for good cause) of an existing tenant of any low-income unit, or
- (b) any increase in the gross rents of such unit not otherwise permitted under Section 42.

In addition, Section E (2) of the Extended Use Agreement which entitles the Authority and any Qualifying Tenants (as defined in the Extended Use Agreement) to enforce specific performance by the Owner of its obligations under the Extended Use Agreement, shall remain in full force to provide a means for the Authority and any such Qualifying Tenants to enforce the Surviving Provisions.

F. The Mortgagee has made a certain HUD-insured first mortgage loan in the amount of \$4,264,300 (the "Loan") to the Owner for a portion of the acquisition, construction, rehabilitation and permanent financing of the Development. The Loan is evidenced by a certain mortgage note in the principal amount of the Loan, made by the Owner in favor of the Mortgagee, dated October 1, 1996 (the "Note") which is secured by a certain mortgage made by the Owner in favor of the Mortgagee encumbering the Development, which mortgage was dated October 1, 1996, and recorded October 25, 1996, as Document No. 96818101 in the Official Records (the "Mortgage"). The Note, the Mortgage and any and all other documents evidencing, securing and governing the Loan are referred to in this Agreement as the "Loan Documents").

G. The Authority requires, as a condition to the issuance of Form 8609 (which is mandated for the vesting of the Tax Credits for the Development), that the Surviving Provisions remain in full force and effect as required by Section 42 notwithstanding any foreclosure or deed in lieu of foreclosure of the Mortgage by the Mortgagee.

H. The parties desire to implement the provisions of Section 42 in order to cause the Development to be in compliance therewith, and to receive the Tax Credits, and in furtherance thereof have entered into this Agreement to carry out such intention.

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NOW, THEREFORE, in consideration of the recitals set forth above, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by the parties, the parties agree to the following:

1. Recitals. The foregoing recitals are incorporated into this Agreement as the agreement among the parties with the same affect as set forth herein.
2. Subordination. The Mortgagee hereby subjects and subordinates the liens, claims, charges and covenants of the Mortgage to the liens, claims, charges, and covenants of the Surviving Provisions of the Extended Use Agreement.
3. Surviving Provisions. Notwithstanding anything to the contrary in this Agreement, the Mortgagee agrees that the Surviving Provisions shall at all times remain superior to the lien of the Mortgage and other Loan Documents. If the Development is transferred to the Mortgagee as the result of a foreclosure or deed-in-lieu of foreclosure or some other instrument, the Surviving Provisions shall survive such transfer and shall remain binding and enforceable on the Mortgagee, its successors and assigns, in accordance with their terms.
4. Limitation. This Agreement is not and shall not be construed to subordinate the lien of the Mortgage to any other provisions of the Extended Use Agreement, other than the Surviving Provisions for the term thereof, nor shall the Extended Use Agreement be in any manner construed to be subordinate to any other mortgage, deed of trust or other security document other than the Mortgage referred to herein, securing the indebtedness owed to the Mortgagee.
5. Obligations of the Mortgagee. The Mortgagee agrees that, in the event of any default by the Owner under the Mortgage or other Loan Documents, the Mortgagee will use reasonable efforts to provide to the Authority a copy of any notice of default given by the Mortgagee to the Owner; provided, however, that the Mortgagee's failure to provide the Authority a copy of any such notice of default shall not invalidate such notice or subject the Mortgagee to any liability to the Authority.
6. Authority's Rights and Obligations. Nothing in this Agreement is intended, nor shall be construed, to abridge or adversely affect any right or remedy of the Authority under the Extended Use Agreement in the event of any failure of the Owner to abide by any of the terms, covenants or conditions of the Extended Use Agreement. Nothing in this Agreement shall be deemed to abrogate the provisions set forth in the HUD-Required Provisions Rider attached to and incorporated in the Extended Use Agreement which rider provisions shall remain in full force and effect through the Surviving Term notwithstanding termination of other provisions of the Extended Use Agreement.
7. Entire Agreement. This Agreement represents the entire understanding and agreement between the parties hereto parties hereto with regard to the subordination of the Mortgage to the Surviving Provisions of the Extended Use Agreement, and shall supersede and cancel any prior agreement with regard to this subject matter.

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8. Binding Provisions. The covenants and agreements contained in this Agreement shall be binding and enforceable upon the heirs, personal representatives, successors and assigns of the respective parties to this Agreement.

9. Modification. This Agreement may not be modified orally or in any manner other than by an agreement in writing signed by the parties hereto or their respective successors in interest, consented to by the Secretary of Housing and Urban Development.

10. Governing Law. This Agreement shall be governed by and construed under the laws of the United States of America, and to the extent they are consistent and do not conflict, the laws of the State of Illinois, exclusive of its conflict of law provisions.

11. Notices. Any notice, demand, request or other communication that any party may desire or may be required to give to any other party under this Agreement shall be given in writing at the addresses set forth above, by any of the following means: (a) personal service; (b) overnight courier; or (c) registered or certified United States mail, postage prepaid, return receipt requested. Such addresses may be changed by notice to the other parties given in the same manner as other notices provided in this Agreement. Any notice, demand, request or other communication sent pursuant to subsection (a) shall be served and effective upon such personal service, or refusal of service. Any notice, demand, request or other communication sent pursuant to subparagraph (b) shall be served and effective one (1) business day after deposit with the overnight courier, prepaid for next day delivery. Any notice, demand, request or other communication sent pursuant to subsection (c) shall be served and effective three (3) business days after proper deposit with the United States Postal Service.

12. Counterparts. This Agreement may be executed in counterparts, and each counterpart shall, for all purposes for which an original of this Agreement must be produced or exhibited, be the Agreement, but all such counterparts shall constitute one and the same instrument.

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IN WITNESS WHEREOF, the undersigned have caused this Agreement to be executed by their authorized officers and representatives as the day and year first above written.

THE OWNER:

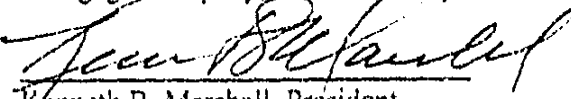
Willard Limited Partnership, an Illinois Limited Partnership

By: TACH Willard Square Development Corporation,
an Illinois corporation, its General Partner

By: 
Ralph Brown, President


THE LENDER:

Prairie Mortgage Company, an Illinois corporation

By: 
Kenneth B. Marshall, President

THE AUTHORITY:

Illinois Housing Development Authority

By: 
Name: Director of Tax Credits
Title: _____

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The foregoing Subordination Agreement dated as of July 1, 1998, is hereby approved.

CITY OF CHICAGO ACTING THROUGH ITS DEPARTMENT OF HOUSING

By: *Stasch*
Name: Julia Stasch
Title: Commissioner

Dated: July 30, 1998.

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ACKNOWLEDGMENTS

OWNER:

State of Illinois)
)
County of Cook)

I, Linda Frausto, a Notary Public in and for said county, in the state aforesaid, does hereby certify that Ralph Brown, personally known to me to be the President of TACH Willard Square Development Corporation, the general partner of Willard Limited Partnership, and personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person and acknowledged that as such President, he signed, sealed and delivered the said instrument, pursuant to the authority given by the Board of Directors of said corporation, as a free and voluntary act of said corporation, for the uses and purposes therein set forth.

Given under my hand and Notarial Seal this 24 day of July, 1998.

Linda Frausto
Notary Public

LENDER:

State of Illinois)
)
County of Cook)

I, Diane N. Marshall, a Notary Public in and for said county, in the state aforesaid, does hereby certify that Kenneth B. Marshall, personally known to me to be the President of Prairie Mortgage Company, and personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person and acknowledged that as such President, he signed, sealed and delivered the said instrument, pursuant to the authority given by the Board of Directors of said corporation, as a free and voluntary act of said corporation, for the uses and purposes therein set forth.

Given under my hand and Notarial Seal this 10th day of ^{August,} ~~July~~ 1998.

Diane N. Marshall
Notary Public



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EXHIBIT A WILLARD SQUARE LEGAL DESCRIPTION

Parcel 1

Lots 6 and 7 in Block 1 in the Subdivision of the South 1/2 of the Southwest 1/4 of the Northeast 1/4 of the Northeast 1/4 of Section 10, Township 38 North, Range 14, East of the Third Principal Meridian, in Cook County, Illinois.

Address: 4843-45 S. St. Lawrence Avenue, Chicago, IL
P.I.N.: 20-10-211-017

Parcel 2

Lots 9 and 10 in Block 1 in the Subdivision of the South 1/2 of the Southwest 1/4 of the Northeast 1/4 of the Northeast 1/4 of Section 10, Township 38 North, Range 14, East of the Third Principal Meridian, in Cook County, Illinois.

Address: 4951-53 S. St. Lawrence Avenue, Chicago, IL
P.I.N.: 20-10-211-019 and 20-10-211-020

Parcel 3

Lots 11 and 12 in Block 1 in the Subdivision of the South 1/2 of the Southwest 1/4 of the Northeast 1/4 of the Northeast 1/4 of Section 10, Township 38 North, Range 14, East of the Third Principal Meridian, in Cook County, Illinois.

Address: 600-12 E. 49th St., Chicago, IL
P.I.N.: 20-10-211-021

Parcel 4

The North 25.00 feet of Lot 1 in Block 1 in Washington Park Subdivision of the Northwest 1/4 of the Southeast 1/4 of the Northeast 1/4 of Section 10, Township 38 North, Range 14, East of the Third Principal Meridian, in Cook County, Illinois.

Address: 4900 Block S. St. Lawrence Avenue, Chicago, IL
P.I.N.: 20-10-219-001

Parcel 5

Lot 1, except the North 25.00 feet thereof, and the North 1/2 of Lot 2 in Block 1 in Washington Park Subdivision of the Northwest 1/4 of the Southeast 1/4 of the Northeast 1/4 of Section 10, Township 38 North, Range 14, East of the Third Principal Meridian, in Cook County, Illinois.

Address: 4900 Block S. St. Lawrence Avenue, Chicago, IL
P.I.N.: 20-10-219-001

Parcel 6 (including open space)

The South 1/2 of Lot 2, all of Lot 3 and the North 1/2 of Lot 4, all in Block 1 in Washington Park Subdivision of the Northwest 1/4 of the Southeast 1/4 of the Northeast 1/4 of Section 10, Township 38 North, Range 14, East of the Third Principal Meridian, in Cook County, Illinois.

Address: 4900 Block S. St. Lawrence Avenue, Chicago, IL
P.I.N.: 20-10-219-001

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Parcel 7

Lot 8 in Roberts' Subdivision of part of the North 1/2 of the Southwest 1/4 of the Northeast 1/4 of Section 10, Township 38 North, Range 14, East of the Third Principal Meridian, in Cook County, Illinois.

Address: 4914-16 S. St. Lawrence Avenue, Chicago, IL

P.I.N.: 20-10-218-035

Parcel 8

The South 1-2 of Lot 4 in Block 1 in Washington Park Subdivision of the Northwest 1/4 of the Southeast 1/4 of the Northeast 1/4 of Section 10, Township 38 North, Range 14, East of the Third Principal Meridian, in Cook County, Illinois.

Address: 4900 Block S. St. Lawrence Avenue, Chicago, IL

P.I.N.: 20-10-219-001

Parcel 9

Lot 5 in Block 1 in Washington Park Subdivision of the Northwest 1/4 of the Southeast 1/4 of the Northeast 1/4 of Section 10, Township 38 North, Range 14, East of the Third Principal Meridian, in Cook County, Illinois.

Address: 4900 Block S. St. Lawrence Avenue, Chicago, IL

P.I.N.: 20-10-219-001

Parcel 10

Lot 6 in Block 1 in Washington Park Subdivision of the Northwest 1/4 of the Southeast 1/4 of the Northeast 1/4 of Section 10, Township 38 North, Range 14, East of the Third Principal Meridian, in Cook County, Illinois.

Address: 4900 Block S. St. Lawrence Avenue, Chicago, IL

P.I.N.: 20-10-219-001

Parcel 11

Lot 7 in Block 1 in Washington Park Subdivision of the Northwest 1/4 of the Southeast 1/4 of the Northeast 1/4 of Section 10, Township 38 North, Range 14, East of the Third Principal Meridian, in Cook County, Illinois.

Address: 4900 Block S. St. Lawrence Avenue, Chicago, IL

P.I.N.: 20-10-219-001

Parcel 12

Lot 3 in Block 2 in Washington Park Subdivision of the Northwest 1/4 of the Southeast 1/4 of the Northeast 1/4 of Section 10, Township 38 North, Range 14, East of the Third Principal Meridian, in Cook County, Illinois.

Address: 4911-13 S. Champlain Avenue, Chicago, Illinois

P.I.N.: 20-10-220-002 and 20-10-220-003

Parcel 13

Lot 16 in Block 1 in Washington Park Subdivision of the Northwest 1/4 of the Southeast 1/4 of the Northeast 1/4 of Section 10, Township 38 North, Range 14, East of the Third Principal Meridian, in Cook County, Illinois.

Address: 4940-42 S. Champlain Avenue, Chicago, IL

P.I.N.: 20-10-219-014

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Parcel 14

The North 1/2 of Lot 5 (except that part taken for St. Lawrence Avenue) (lying West of the East 173.83 feet thereof) in Lavinia and Company's Subdivision of Garden and Cottage Lots of the South 1/4 of the Northeast 1/4 of Section 10, Township 38 North, Range 14, East of the Third Principal Meridian, in Cook County, Illinois.

Address: 600 Block E. 50th Street, Chicago, IL
P.I.N.: 20-10-225-001
20-10-225-002

Parcel 15

The West 50 feet of the East 173.83 feet of the North 1/2 of Lot 5 in Lavinia and Company's Subdivision of Garden and Cottage Lots of the South 1/4 of the Northeast 1/4 of Section 10, Township 38 North, Range 14, East of the Third Principal Meridian, in Cook County, Illinois.

Address: 600 Block E. 50th Street, Chicago, IL
P.I.N.: 20-10-225-002
20-10-225-003

Parcel 16

The East 49.75 feet of the North 1/2 of Lot 5 in Lavinia and Company's Subdivision of Garden and Cottage Lots of the South 1/4 of the Northeast 1/4 of Section 10, Township 38 North, Range 14, East of the Third Principal Meridian, in Cook County, Illinois.

Address: 619-21 E. 50th Street, Chicago, IL
P.I.N.: 20-10-225-005

Parcel 17

Lots 1 and 2 in Merrill's Subdivision of Lot 4 in Lavinia and Company's Subdivision of Garden and Cottage Lots in the South 1/4 of the Northeast 1/4 of Section 10, Township 38 North, Range 14, East of the Third Principal Meridian, in Cook County, Illinois.

Address: 647-49 E. 50th Street, Chicago, IL
P.I.N.: 20-10-226-006 (Lot 1)
20-10-226-005 (Lot 2)

Parcel 18

Lots 1 and 2 in the Subdivision of Lot 2 in Lavinia and Company's Subdivision of Garden and Cottage Lots of the South 1/4 of the Northeast 1/4 of Section 10, Township 38 North, Range 14, East of the Third Principal Meridian, in Cook County, Illinois.

Address: 711-13 E. 50th Street, Chicago, IL
P.I.N.: 20-10-226-015

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