

LEASE AGREEMENT

DATED JULY 30, 1998

**BETWEEN MCL/ASD LIMITED LIABILITY COMPANY III,
AN ILLINOIS LIMITED LIABILITY COMPANY ("LESSOR")**

AND CHICAGO HOUSING AUTHORITY ("LESSEE")

COVERING UNITS A47, A46, A45, B42, C41, B40, B39,

C37, B36, A34, A33, C32, B31, C30, A28 AND B27

IN THE HOMES OF MOHAWK NORTH CONDOMINIUM PROJECT

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Lease Agreement

THIS Lease Agreement (the "Lease") is made and entered into as of the 30th day of July, 1998, by and between MCL/ASD Limited Liability Company III, an Illinois limited liability company ("Lessor") and Chicago Housing Authority, a municipal corporation, organized and existing under the laws of the State of Illinois ("Lessee").

WITNESSETH:

WHEREAS, the concept of the public welfare is broad and inclusive, and it is in the best interests of the public and the City of Chicago, Illinois that new opportunities for urban redevelopment be developed so as to facilitate the construction and operation of decent, safe, and sanitary buildings for urban residential usage;

WHEREAS, the public may be served through innovative combinations of the resources of local government and private enterprise;

WHEREAS, Lessor is the owner of the Condominium Project as defined in Section 1.1 hereof, which Condominium Project is a market rate residential condominium development consisting of a total of sixty-three (63) condominium units;

WHEREAS, Lessor has agreed to lease to Lessee sixteen (16) condominium units in the Condominium Project to be used as Public Housing Units as defined in Section 1.1 hereof; and

WHEREAS, Lessor and Lessee desire to enter into this Lease in order to reflect the foregoing and in order to obtain the approval of HUD hereto.

NOW, THEREFORE, for and in consideration of the foregoing premises, the sum of Ten and No/ 100 Dollars (\$10.00), the covenants, representations, warranties and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1 Definitions. For the purposes of this Lease, the following defined terms shall have the meanings ascribed thereto in this Article 1:

Act: The United States Housing Act of 1937, as amended and as may hereafter be amended from time to time or any successor legislation, together with all regulations implementing the same.

Allowed Development Expenses: "Allowed Development Expenses" shall mean all necessary and reasonable operating expenses of the Condominium Project for the applicable period, including:

(A) all ordinary and necessary Common Expenses (as defined in the Condominium Declaration) of the Condominium Project, exclusive of utility expenses which are the direct responsibility of the Tenant; and

(B) reserves for replacements and for any other purposes, as required by the condominium association established pursuant to the Condominium Declaration.

Annual Contributions Contract: That certain Annual Contributions Contract, dated June 13, 1972 as amended from time to time (including any waivers granted pursuant thereto), by and between The United States of America, HUD and Lessee, to the extent made applicable to the Public Housing Units by specific amendment referring thereto.

Authority Fiscal Year: The Lessee's fiscal year for the purposes of calculating the Development Operating Subsidy provided for in Section 3.3 hereof.

Authority Percentage: Authority Percentage shall mean the greater of: (A) the number of condominium units in the Leased Premises, divided by the total number of condominium units in the Condominium Project; or (B) the aggregate percentage interests of the Leased Premises as set forth in the Condominium Declaration.

Authority Unit Expenses: Authority Unit Expenses shall mean (A) Allowed Development Expenses, multiplied by the Authority Percentage, plus (B) the portion of any payment in lieu of real estate taxes to be paid in respect of the Leased Premises, if any, made by the Lessor and not directly by the Lessee, plus (C) amounts payable to Tenants as utility reimbursement (i.e., "negative rent"), plus (D) interior maintenance expenses of the Leased Premises, including but not limited to, vacant unit preparation for new Tenants, plus (E) a replacement reserve for repairs and replacements required for the Lease Premises plus (F) management fees payable pursuant to the Management Agreement.

Cabrini Green: The Cabrini Green development presently located on property that is adjoining the Leased Premises a portion of which is to be redeveloped pursuant to the Revitalization Plan.

Casualty: As defined in Article 11 hereof.

City: The City of Chicago, Illinois.

CMHDC: Chicago Metropolitan Housing Development Corporation, an Illinois not for profit corporation.

CMHDC Loan: As defined in Section VIII hereof.

Commencement Date: The date set forth in Section 2.3 hereof.

Common Elements: As defined in the Condominium Declaration.

Condominium Declaration: Declaration of Condominium recorded January 22, 1997 as Document Number 97046857, as amended by First Amendment to the Declaration of Condominium recorded March 27, 1997 as Document Number 97214952, the Second Amendment to the Declaration of Condominium recorded May 21, 1997 as Document Number 97361429, the Third Amendment to the Declaration of Condominium recorded June 6, 1997 as Document Number 97403215, the Fourth Amendment to the Declaration of Condominium recorded August 13, 1997 as Document Number 97591851, the Fifth Amendment to the Declaration of Condominium recorded August 29, 1997 as Document Number 97638771, ~~and Sixth Amendment to Declaration of Condominium recorded _____, 1998 as Document 98 _____, as amended from time to time.~~

Handwritten initials/signature

Condominium Project: That certain project commonly known as The Homes of Mohawk North Condominium consisting of a total of sixty-three (63) condominium units, together with all Improvements and any other improvements now or hereafter located thereon and all rights, easements, licenses, privileges and appurtenances thereunto attaching or in any way belonging thereto.

CPI: "CPI" shall mean the Revised Consumer Price Index for Urban Wage Earners and Clerical Workers, All Items (base index year 1982-84=100) as published by the United States Department of Labor, Bureau of Labor Statistics. If the manner in which the CPI is substantially revised, including without limitation, a change in the base (100) index year, an adjustment shall be made by Lessee in such revised index which would produce results equivalent, as nearly as possible, to those which would have been obtained if such component CPI had not been so revised. If the CPI shall become unavailable to the public because publication is discontinued, or otherwise, Lessee shall substitute therefor a comparable index based upon changes in the cost of living or purchasing power of the consumer dollar published by any other governmental agency or, if no such index shall be available, then a comparable index published by a major bank or other financial institution or by a university or a recognized financial publication.

Delinquency Rate: The lesser of (a) the maximum amount of interest which may be lawfully charged under the laws of the State of Illinois, or (b) the rate per annum equal to two percent (2%) above the prime rate of interest from time to time publicly announced by Bank of America, or its successors from time to time.

Escalation Factor: As defined in Section 4.2 hereof.

Estimated Allowed Development Expenses and Estimated Authority Unit Expenses: These items shall mean the estimated amounts of Allowed Development Expenses and Authority Unit Expenses for any period as such estimated expenses are determined in accordance with Section 3.3 hereof.

Governmental Authorities: Any applicable Federal, state or local governmental or quasi-governmental entities, subdivisions, agencies, authorities or instrumentalities having jurisdiction over the Leased Premises, Lessor or Lessee.

Hazardous Substances: The term "Hazardous Substances" shall mean any substance, material, waste, gas or particulate matter which is regulated by any local governmental authority, the State of Illinois, or the United States Government, including, but not limited to, any material or substance which is (i) defined as a "hazardous waste," "hazardous material," "hazardous substance," "extremely hazardous waste," or "restricted hazardous waste" under any provision of Illinois law, (ii) petroleum, (iii) asbestos, (iv) polychlorinated biphenyl, (v) radioactive material, (vi) designated as a "hazardous substance" pursuant to Section 311 of the Clean Water Act, 33 U.S.C. § 1251 et seq. (33 U.S.C. § 1317), (vii) defined as a "hazardous waste" pursuant to Section 1004 of the Resource Conservation and Recovery Act, 42 U.S.C. § 6901 et seq. (42 U.S.C. § 6903), or (viii) defined as a "hazardous substance" pursuant to Section 101 of the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. § 9601 et seq. (42 U.S.C. § 9601).

Hazardous Substances Laws: All Federal, state, and local laws, ordinances, codes, rules, regulations, orders and directives now or hereafter pertaining to Hazardous Substances in, on or under the Leased Premises or any portion thereof.

Homeowner's Declaration: Declaration recorded December 20, 1996 as Document Number 96962880 creating The Homes of Mohawk North Homeowners Association, as amended by First Amendment recorded February 3, 1997 as Document Number 97074694, Second Amendment recorded February 13, 1997 as Document Number 97103263, Third Amendment recorded March 27, 1997 as Document Number 97214952 and Fourth Amendment recorded May 21, 1997 as Document Number 97361430, as amended from time to time.

HUD: United States Department of Housing and Urban Development.

Impositions: All taxes, payments in lieu of taxes, assessments, water and sewer charges, charges for public utilities, excises, levies, license and permit fees and other charges that shall or may be assessed, levied or imposed during the Term by any Governmental Authorities upon the Leased Premises or any part thereof, including the buildings or improvements now or hereafter located thereon; provided, however, that the term Impositions shall not include any income tax, capital levy, estate, succession, inheritance, transfer or similar taxes of Lessee.

Improvements: Those buildings, improvements, fixtures and other structures, now or hereafter constructed by Lessor on, under or across the Condominium Project, including, without limitation roads, parking lots, landscaping, drainage and other utility structures and facilities and other so-called "infrastructure" improvements.

Insurance Requirements: The requirements, whether now or hereafter in force, of any insurer or insurance carrier, any board of fire underwriters or any other company, bureau, organization or entity performing the same or similar functions, applicable to the Leased Premises or any portion thereof, to the extent so applicable.

Lease Year: The calendar year or any portion thereof that occurs during the Term of this Lease.

Leased Premises: Collectively Units A47, A46, A45, B42, C41, B40, B39, C37, B36, A34, A33, C32, B31, C30, A28 and B27 in the Homes of Mohawk North Condominium, together with their percentage ownership interest in the Common Elements appurtenant thereto as defined in the Condominium Declaration, which real property is more particularly described on Exhibit A attached hereto and made a part hereof.

Legal Requirements: All laws, statutes, codes, ordinances, orders, rules, regulations and requirements of all Governmental Authorities and the appropriate agencies, officers, departments, boards and commissions thereof, whether now or hereafter in force, applicable to Lessor, Lessee, the Leased Premises, the Improvements, or any portion thereof, to the extent so applicable.

Lessee's Residual Payment: As defined in Article XV.

Lessee's Estate: Lessee's leasehold interest in the Leased Premises acquired pursuant to this Lease and any fee or other interest in the Leased Premises acquired by Lessee hereafter.

Lessor's Estate: Lessor's fee estate in the land underlying the Leased Premises.

Manager: The Person designated from time to time as "Manager" of the Leased Premises under any management agreement entered into from time to time with Lessor. The initial Manager will be William Moorehead & Associates and any subsequent Manager shall be chosen by Lessor and shall be experienced in managing subsidized housing units.

Management Agreement: As applicable, a management agreement entered into from time to time by Lessor and the applicable Manager for the management of all or any portion of the Leased Premises. The Management Agreement shall require that the Manager comply with all HUD public housing requirements including the Annual Contributions Contract; provided that in the event of a conflict, the Annual Contributions Contract shall govern and

control. The initial Management Agreement is that certain Management Agreement by and between Lessor and the initial Manager, which Management Agreement is to be executed contemporaneous with or prior to the Commencement Date.

Net Condemnation Award: The net amounts owed or paid to the Parties or to which either of the Parties may be or become entitled by reason of any Taking pursuant to any agreement with any condemning authority which has been made in settlement of any proceeding relating to a Taking, less any costs and expenses incurred by the Parties in collecting such award or payment.

Operating Expense Allowance: As defined in Section 4.2 hereof.

Party: Lessor or Lessee, as applicable. Lessor and Lessee shall be referred to collectively as the "Parties".

Permitted Encumbrances: Those matters expressly set forth on Exhibit B attached hereto and made a part hereof, together with the encumbrances created by or permitted by this Lease.

Person: An individual, partnership, corporation, limited liability company, trust, unincorporated association, or other entity or association.

Public Housing Eligible Household: Tenants who qualify as being eligible to occupy "public housing", as defined in Section 3(b) of the Act.

Public Housing Units: The residential units constituting the Leased Premises which shall be restricted during the Restricted Period for use solely by Public Housing Eligible Households in accordance with Section 3.3 hereof.

Rent: As described in Section 4.1 hereof.

Restricted Period: The period during the Term during which the Public Housing Units must be reserved as such in accordance with the restrictions contained in Section 3.3 hereof.

Taking: A taking during the Term hereof of all or any part of the Leased Premises or any interest therein or right accruing thereto, as a result of the exercise of the right of condemnation or eminent domain. A conveyance in lieu of or in anticipation of the exercise of any such right of condemnation or eminent domain shall be considered a Taking. Any such Taking shall be deemed to have occurred upon the earlier to occur of (a) the date on which the property, right or interest so taken must be surrendered to the condemning authority, or (b) the date title vests in a condemning authority or other party pursuant to any Taking.

Tenant(s): Any tenant, sublessee or licensee of Lessee under any Tenant Lease(s).

Tenant Lease: Any lease or license agreement entered into by Lessee with residents of the residential units to be developed on the Leased Premises.

Term: The period of time described in Section 2.3 hereof.

Transfer: Any sale, assignment, transfer, conveyance, encumbrance, mortgage, or hypothecation, in any manner or form or any agreement to do any of the foregoing.

ARTICLE II

THE LEASE

Section 2.1 Purpose. Lessor enters into this Lease with Lessee which is a public entity, the purpose of such entity being to assure provision of affordable housing in viable communities in the City of Chicago for Public Housing Eligible Households.

Section 2.2 Lease of Leased Premises. Subject to the terms hereof and in consideration of the covenants of payment and performance stipulated herein, Lessor by these presents does hereby lease, demise and let unto Lessee, and Lessee hereby leases and takes from Lessor, the Leased Premises.

TO HAVE AND TO HOLD the Leased Premises unto Lessee, and its successors in interest, permitted Tenants and permitted assigns, for and during the Term hereinafter set forth.

Section 2.3 Term. Unless sooner terminated pursuant to the provisions hereof, this Lease shall continue in full force and effect for a term ("Term") commencing on August 15, 1998 ("Commencement Date") and expiring on the day immediately preceding the fortieth (40th) anniversary thereof.

Section 2.4 Use. Subject to the provisions hereof, Lessee shall use the Leased Premises in accordance with the restrictions and requirements set forth in Article 3 hereof. Lessor and Lessee each have an express obligation under Section 3.3 of this Lease to dedicate the Leased Premises and reserve the same for occupancy solely by Public Housing Eligible Households in accordance with the provisions and requirements of said Section 3.3. It is understood that the Condominium Project, with the exception of the Leased Premises, is a market rate home-ownership community. Nothing contained herein shall be construed as requiring any condominium unit in the Condominium Project to be operated and maintained in accordance with the Annual Contributions Contract other than the Leased Premises.

Section 2.5 Possession. Lessor agrees to and shall provide possession of the Leased Premises to Lessee on the Commencement Date, and the Leased Premises shall be ready for occupancy by Tenants and free and clear of all rights to possession or use by any tenants or other

individuals or entities other than Lessee, subject to the terms and conditions of Section 3.3 relating to Tenant selection. Each condominium unit comprising the Leased Premises shall contain a new Whirlpool refrigerator, dishwasher, disposal, rangehood and range.

ARTICLE III

THE LEASED PREMISES

Section 3.1 Construction of Leased Premises. Lessor has caused the Leased Premises to be constructed in substantial compliance with the construction plans and specifications for the Leased Premises previously approved by the City and the Lessee. The Leased Premises constructed by Lessor have been constructed in a good and workmanlike manner, in compliance with all applicable Legal Requirements, including, without limitation, all applicable requirements of the Act, the Annual Contributions Contract and HUD regulations, including, without limitation, compliance with the "prevailing wage" requirements of the Davis-Bacon Act (40 U.S.C 276a to a-7, and accompanying regulations).

Section 3.2 Leasehold Title to Leased Premises.

(a) During the Term. Notwithstanding any provision in this Lease to the contrary, the Leased Premises and all alterations, additions, equipment and fixtures built, made or installed in, on, under or to the Leased Premises shall be the sole property of the Lessee until the expiration of the Term.

(b) After the Term. At the expiration or other termination of this Lease, the Leased Premises and all alterations, additions, equipment and fixtures thereto shall be deemed to be and shall automatically become the property of Lessor, without cost or charge to Lessor.

Section 3.3 Restrictions Applicable to Use of Leased Premises as Public Housing Units.

(a) During the Term, Lessee will continuously use the residential units comprising the Leased Premises as Public Housing Units, for occupancy by Public Housing Eligible Households at rents and subject to all other conditions of the Act, the Annual Contributions Contract, the Memorandum of Lease Agreement set forth as Exhibit C and the documents evidencing the CMHDC Loan; it being understood that in the event of a conflict among the foregoing, the Annual Contributions Contract shall govern and control. Lessor hereby acknowledges and agrees that the Leased Premises shall be subleased by Lessee to Public Housing Eligible Households. Provided that the Lessee continues operating the Leased Premises as Public Housing Units to Public Housing Eligible Households in accordance with the Act, the Annual Contributions Contract and in accordance with the terms of this Lease,

such Public Housing Units shall be eligible to receive the benefit of operating subsidies provided to the Lessee by HUD pursuant to Section 9 of the Act and for purposes of subsequent legislation, it is intended that the Leased Premises shall be considered public housing. Consistent with the requirements currently applicable to public housing, a unit shall not lose its status as a Public Housing Unit solely because the income of the Tenant residing therein rises above the applicable public housing income limit; any such unit shall be governed by rules generally applicable to units occupied by over-income tenants in applicable public housing programs (subject to such modifications in lease and occupancy terms as are permitted hereunder).

(b) During the Term, Lessor hereby agrees to perform Lessee's obligations to operate and administer the Leased Premises as Public Housing Units (i) in compliance with all applicable requirements of the Act, HUD regulations thereunder, and the regulations and policies of Lessee; and (ii) in accordance with the Annual Contributions Contract. In connection therewith, Lessor will retain a Manager pursuant to a Management Agreement. The Manager will be responsible to Lessor for management of the Leased Premises in accordance with the terms of this Lease. The Management Agreement will contain appropriate provisions providing access by the Lessee, upon request therefor, to books and records maintained by the Manager with respect to the Leased Premises, and pursuant to which the Lessor may be required to terminate the Management Agreement and the appointment of the Manager thereunder, if the Manager has violated, breached, or failed to comply with any provision of, or obligation under, this Lease. Lessee agrees that the initial Manager retained by Lessor shall be William Moorehead & Associates. The Management Agreement shall require the Manager to perform all management functions that Lessee would typically require of a private manager of its properties, including, without limitation, conducting home visits for potential applicants, performing housing quality standards inspections of units, collecting rent from Tenants and remitting such rent to Lessee evicting residents, maintaining resident files, and maintaining books and records for the operation of the Leased Premises all in accordance with HUD and Lessee regulations and policies. Lessor shall perform or cause the Manager to perform all necessary or desirable interior maintenance to the Leased Premises, including, without limitation, vacant unit preparation for new occupants. Lessee shall perform certain administrative functions in connection with admission of applicants to occupancy of the Leased Premises, including application intake, applicant interview and screening, verification procedures, determination of eligibility for admission and qualification for preference, waiting list maintenance and execution of leases, all in accordance with criteria and procedures established by the Lessee. Tenant selection shall be conducted in accordance with written objective criteria attached hereto as Exhibit D. Such criteria shall (i) be subject to fair housing law standards, HUD requirements, the Annual Contributions Contract and any applicable law, rule or regulation; and (ii) not have the effect of precluding Public Housing Eligible Households from occupying the Leased Premises.

(c) Not later than October 1, 1998 (for the year in which the Commencement Date occurs) and not later than 120 days before the first day of any

subsequent Authority Fiscal Year, Lessor shall submit to Lessee its proposed operating budget for the following Authority Fiscal Year (or, in the case of the year in which the Commencement Date occurs, the remainder thereof). The operating budget shall project Estimated Allowed Development Expenses and Estimated Authority Unit Expenses, subject to the following conditions:

(i) Estimated Allowed Development Expenses shall be as reasonably estimated by the Lessor. Lessee may comment upon and propose changes to the Estimated Allowed Development Expenses set forth in the operating budget submitted by the Lessor, but the Lessor shall not be required to reduce any estimated expense below the Condominium Project-wide amount for such expenditure reasonably anticipated by the Lessor for the period.

(ii) During each Authority Fiscal Year commencing with the Authority Fiscal Year in which the Commencement Date occurs, and subject to any limitations arising from application of Section 2(e) of the Act, Lessee shall pay to Lessor Estimated Authority Unit Expenses for such period. Lessee shall pay to Lessor, on the first day of each month of an Authority Fiscal Year, one-twelfth (1/12) of the Estimated Authority Unit Expenses for such Authority Fiscal Year. Notwithstanding anything to the contrary contained herein, in no event shall Lessee be obligated to pay to Lessor any amounts in excess of the Operating Expense Allowance stipulated in Section 4.2.

(d) Not later than 60 days after the end of each quarterly period commencing with the calendar quarter in which first occupancy of the Leased Premises occurs, Lessor shall deliver to the Lessee with respect to the Leased Premises, itemized statements of income and expenses, prepared on an accrual basis, in form substantially comparable to Form HUD-92410 (Statement of Profit and Loss), certified by the chief financial officer of the Lessor for the quarterly period and from the beginning of the Lease Year to the end of such quarterly period. Not later than 120 days after the end of each Lease Year, Lessor shall deliver to the Lessee and, on behalf of the Lessee, to HUD a copy of the audited financial statements of Lessor for such year and the period then ended, prepared in accordance with generally accepted accounting principles and accompanied by the report of independent public accountants thereon, together with a copy of any additional financial statements or reports delivered by Lessor to its partners. Such financial statement shall be accompanied by supplemental data, together with the report of independent public accountants thereon, which shall show on a cash basis for such period (i) actual income from the Leased Premises, (ii) actual expenditures for Authority Unit Expenses, (iii) the amount of Rent received by Lessor, and (iv) aggregate stated lease rents and the amounts thereof uncollected from the Leased Premises for which no eviction actions have been commenced. If Lessor shall fail to deliver such financial statements to the Lessee, Lessee shall have the right to retain an independent auditor to conduct an audit of the financial statements of the Lessor and to charge the reasonable cost thereof to the Lessor.

(e) Subject to Subsection 3.3(c), nothing contained herein shall prevent or diminish the full application to the Public Housing Units of any legislation enacted after the date hereof which provides for the termination of operating subsidies under Section 9 of the Act or of other Federal project-based assistance to public housing developments, including, without limitation, any provision thereof releasing or otherwise modifying occupancy or tenant rent restrictions previously applicable to units such as the Public Housing Units. It is of the essence of Lessor's and Lessee's obligations under this Section 3.3 that, during the Term, Lessee and Lessor will maintain and operate the Leased Premises as Public Housing Units in accordance with all applicable requirements of the Act and the Annual Contributions Contract; provided, however, that if operating subsidies or other project based Federal assistance received by Lessee in respect of the Public Housing Units shall be less than the Operating Expense Allowance, Lessor shall not be required to contribute from its own funds any shortfall in such federal funding in order to preserve the character of the Leased Premises as Public Housing Units. In the event that legislative changes or diminished appropriations significantly reduce the amount of operating subsidy provided by HUD to Lessee under Section 9 of the Act as in effect on the date hereof, Lessee shall remain obligated to pay Rent (subject to the limitations set forth in Section 4.2 hereof) to Lessor as hereinafter provided and Lessor shall continue to maintain and operate the Public Housing Units as public housing; provided, however, that if the aggregate of tenant rental contributions payable by occupants of such units, plus all forms of public assistance made available in respect of such units (including, without limitation, other project-based or tenant-based operating or rental assistance or other contributions by or on behalf of Lessor or Lessee or with respect to the Public Housing Units) are less than the Operating Expense Allowance, Lessor may take all further actions necessary to increase the income from the Public Housing Units, including, without limitation, increases in rental payments from tenants and operating a portion of the Public Housing Units as market-rate units, to the extent necessary so that income from the Public Housing Units in the aggregate (including from any such converted units), plus all such public assistance as aforesaid, shall be not less than (but not substantially more than) the Operating Expense Allowance; provided, however, (i) that any such actions must be consistent with the Act, as amended from time to time, and (ii) that this Section 3.3(e) shall not be deemed to create any additional remedies. If, subsequent to institution of remedial steps described above, Lessee shall reasonably demonstrate a capacity and commitment to provide assistance sufficient to support operation of the Leased Premises as Public Housing Units prior to such action, the obligation of Lessor to maintain such number of units as Public Housing Units in accordance with the terms hereof shall be reinstated, subject to continuing rights under law of existing Tenants. Notwithstanding anything herein to the contrary, Lessor acknowledges that the terms and conditions set forth in this Lease and in the Annual Contributions Contract shall not be deemed an assignment of public housing funds to Lessor.

ARTICLE IV

PAYMENTS BY LESSEE AND LESSOR

Section 4.1 Payments by Lessee.

(a) Subject to the terms and conditions set forth in Section 3.3 hereof, Lessee shall pay to Lessor rent ("Rent") for the Leased Premises for each Lease Year in the amount of Seventy-Six Thousand Six Hundred Eighty and No/100 Dollars (\$76,680.00) (i.e. \$400.00 per month times 16 condominium units times 12 months) payable in equal monthly installments of Six Thousand Four Hundred Dollars (\$6,400.00) (i.e. \$400.00 per month times 16 condominium units), in advance on the first day of the first full calendar month and on the first day of each month thereafter of the Term, and at the same rate for fractions of a month if the Term shall begin on any date except the first day or shall end on any day except the last day of a calendar month. Rent shall be increased each Lease Year commencing with the second Lease Year by an amount (the "Escalation Factor") equal to the lower of (i) two percent (2%) per annum; (ii) the CPI; or (iii) Authority Unit Expenses. In the event that the Leased Premises are eligible for an abatement of Impositions, Rent payable by Lessee shall be reduced monthly in the estimated amount of the foregoing abatement of Impositions pursuant to the budget theretofore approved by Lessee. In the event the actual amount of the abatement is more or less than the estimated amount, Rent shall be adjusted accordingly. Rent at the rate of Four Hundred and No/100 Dollars (\$400.00) per month for a condominium unit shall be abated for the period of time that such condominium unit shall be vacant due to the fault of Lessor pursuant to Section 3.3(b) hereof.

(b) Concurrently herewith, Lessee has paid to Lessor One Million Six Hundred Sixteen Thousand and No/100 Dollars (\$1,616,000.00) (i.e., \$101,000.00 for each of 16 residential units) for a portion of total development cost of the Leased Premises in consideration of Lessor agreeing, among other things, to (i) lease the Leased Premises to Lessee as Public Housing Units for the Term, (ii) maintain and operate or cause the maintenance and operation of the Leased Premises as Public Housing Units, (iii) subject to Sections 3.3 and 4.2 hereof, pay the Authority Unit Expenses for the Leased Premises and (iv) otherwise perform Lessor's obligations hereunder.

Section 4.2 Payments by Lessor. Lessor shall pay all Authority Unit Expenses for the Leased Premises. Notwithstanding anything to the contrary contained herein, Lessor shall be required to pay from its own funds that portion of the Authority Unit Expenses in excess of Sixty-Eight Thousand Eight Hundred Twenty-Six and 08/100 Dollars (\$68,826.08) (i.e. \$4,301.63 per Lease Year for each of the 16 condominium units constituting the Leased Premises) ("Operating Expense Allowance") for each Lease Year.

Section 4.3 Reserve for Repairs and Replacements. Lessor agrees to establish and maintain from the Rent paid by Lessee an account ("Reserve Account") to cover the cost of major

replacements to any one or more of the residential condominium units comprising the Leased Premises other than replacements to the Common Elements. Lessor agrees to make monthly deposits to the Reserve Account in the amount of the greater of (i) One Thousand Eight and No/100 Dollars (\$1,008.00) (i.e., \$63.00 for each of the 16 condominium units) or (ii) the monthly Rent for the Leased Premises less monthly Authority Unit Expenses for the Leased Premises, commencing on the first day of the month following the Commencement Date and on the first day of each month thereafter during the Term of this Lease. The amount of the monthly deposit may be increased or decreased at the direction of HUD from time to time without amending this Agreement. Lessee agrees to make deposits to the Reserve Account in the amount of the estimated abatement of Impositions, as adjusted pursuant to Section 4.1(a). The Reserve Account shall be held by a safe and responsible depository approved by Lessee and shall at all times remain under the joint control of Lessor and Lessee. Upon written request by Lessor (subject to Lessee's reasonable approval) on a form specified or approved by Lessee detailing the replacement requested, the price of materials and other information reasonably requested by Lessee, the amount so requested shall be disbursed by the depository to Lessor for such purpose. In the event that the Reserve Account exceeds Sixty Thousand Four Hundred Eighty and No/100 Dollars (\$60,480.00) (i.e., \$1,008.00 monthly reserve account deposit times twelve [12] months times five [5] years) ("Reserve Limit"), the amount in excess of the Reserve Limit shall be paid to CMHDC to pay any Permitted Accrued Amounts as set forth in the CMHDC Loan documents; provided, however, that it is understood that the Permitted Accrued Amounts shall not be paid from operating subsidies received by Lessee and paid to Lessor pursuant to Section 4.1(b) of this Lease. In the event that there are not any Permitted Accrued Amounts outstanding, the amount in excess of the Reserve Limit shall remain in the Reserve Account and shall not be disbursed to Lessor. It is understood that at no time during the Term of this Lease shall any Rent or any portion of the Reserve Account be used for any purpose other than to pay Authority Unit Expenses or for replacements contemplated by the Reserve Account. At the expiration of the Term of this Lease, all amounts remaining in the Reserve Account shall be paid to Lessee, without requiring the consent of Lessor.

Section 4.4 **Payments in General.** All Rents or other sums, if any, due Lessor hereunder shall be paid by Lessee to Lessor at the address of Lessor set forth hereinafter for notices, or to such other person and/or at such other address as Lessor may direct by written notice to Lessee, without notice or demand, and without abatement, deduction or set off, except as otherwise provided herein.

ARTICLE V

TAXES AND OTHER IMPOSITIONS: UTILITIES

Section 5.1 **Payment of Impositions.** Subject to Section 5.2 hereof, as and when the same shall become due, Lessor will pay all of the Impositions, except that if any Imposition that Lessor is obligated to pay is permitted by law to be paid in installments, Lessor may pay or cause to be paid such Imposition in installments as and when such installments become due. Upon the written request of Lessee, Lessor shall exhibit and deliver to Lessee evidence satisfactory to Lessee of payment of all Impositions. During the first and last years of the Term, all Impositions that shall

become payable during each calendar, fiscal, tax or Lease Year, as applicable, shall be paid by Lessor. Lessee agrees to provide certifications to the County Clerk for abatements in Impositions for that portion of the Leased Premises qualifying for such abatement within thirty (30) days of receipt from Lessor of the appropriate documentation required for such abatement. In the event the Leased Premises or any portion thereof are exempt in whole or in part from Impositions, such portion of the Impositions so exempt shall be deposited in the reserve provided for in Section 4.3 hereof.

Section 5.2 **Lessor's Fee Estate.** Notwithstanding anything contained in this Lease to the contrary, any and all taxes and assessments charged against the value of Lessor's Estate shall be the responsibility and obligation of Lessor.

Section 5.3 **Contested Taxes and Other Impositions.**

(a) Lessor, at its sole cost and expense, in its own name or in the name of Lessee, but subject to Lessee's prior reasonable approval, may contest the validity or amount of any Imposition relating to all or any portion of the Leased Premises, in which event the payment thereof may be deferred during the pendency of such contest, if diligently prosecuted.

(b) Lessee shall use its reasonable efforts to assist in any such proceeding to contest the validity or amount of any Imposition.

(c) Nothing contained in this Section 5.3, however, shall be construed to allow any such contested Imposition to remain unpaid for a length of time which shall permit the Leased Premises, or any part thereof, to be sold by any Governmental Authorities for the non-payment of such Imposition. Lessor shall promptly furnish Lessee copies of all notices, appeals, pleadings, motions and orders in any proceedings commenced with respect to such contested Imposition.

Section 5.4 **Valuation Assessment.** Lessor, at its expense may attempt to obtain a lowering of the assessed valuation of the Leased Premises for any year for the purpose of reducing taxes thereon. In such event, upon Lessor's request but subject to Lessee's approval, Lessee shall use reasonable efforts to assist Lessor in such endeavor.

Section 5.5 **Failure to Pay Impositions.** If Lessor shall fail to pay any Impositions before the same become delinquent, or as otherwise required pursuant to Section 5.3 hereof, Lessee, at its election, may pay such Impositions (but shall not be obligated to pay same), together with any interest and penalties due thereon, and the amount so paid by Lessee shall be, at the option of Lessee, either offset by Lessee against Rent or other amounts payable by Lessee to Lessor hereunder or shall be paid by Lessor to Lessee upon demand, together with interest on the total amount so paid by Lessee, accruing at the Delinquency Rate from the date of Lessee's payment thereof through the date of Lessor's repayment thereof to Lessee.

Section 5.6 **Utilities.** Lessor shall pay all utility charges, including but not limited to, charges for gas, electric, water rents, sewer service charges, and all sanitation fees or charges levied or charged against the Leased Premises during the Term, except for those utility charges incurred by Tenants for their use in connection with the occupancy of their respective residential units, it being understood that such Tenants are responsible for payment of utility expenses supplied directly to such Tenants for their use.

Section 5.7 **Condominium and Homeowner Assessments.** Lessor shall pay when due all condominium and homeowner assessments levied or charged against the Leased Premises during the Term pursuant to the Condominium Declaration and Homeowner's Declaration.

ARTICLE VI

INSURANCE

Section 6.1 **Lessor's Insurance.** It is understood that the Leased Premises are part of the Condominium Project and that so long as the Association for the Condominium Project maintains a "Master" or "Blanket" policy on the Condominium Project which fulfills the requirements of this Section 6.1 and Lessor provides Lessee with sufficient evidence of such insurance naming Lessee as an additional insured thereunder, as its interests may appear, then Lessor shall not be required to individually maintain such insurance for the Leased Premises. In the event that the association for the Condominium Project fails to maintain any or all such insurance during the Term, Lessor shall keep and maintain or shall cause to be kept and maintained in force, at no cost or expense to Lessee, the following insurance, all of which shall be provided by companies and/or agencies reasonably satisfactory to Lessee:

(a) **Property Insurance.** "All risk" insurance covering all risks of physical loss or damage to any of the Leased Premises, with liability limits of not less than one hundred percent (100%) of the "full replacement value" thereof. Such policies shall be broad form and shall include, but shall not be limited to, coverage for fire, extended coverage, vandalism, malicious mischief and storm. Perils customarily excluded from all risk insurance, e.g., earthquake and flood, may be excluded.

(b) **Public Liability Insurance.** Comprehensive general public liability and automobile liability insurance, covering loss or damage resulting from accidents or occurrences on or about or in connection with the Leased Premises or any work, matters or things under, or in connection with, or related to this Lease, with personal injury, death and property damage combined single limit liability of not less than Two Million and No/100 Dollars (\$2,000,000.00) for each accident or occurrence. Coverage under any such comprehensive policy shall be broad form and shall include, but shall not be limited to, operations, contractual, elevators, owner's and contractor's protective, products and completed operations, and the use of all owned, non-owned and hired vehicles.

Section 6.2 **General Requirements.** All policies described in Section 6.1 shall include Lessor and Lessee, as named insureds, as their respective interests may appear. All policies described in Section 6.1 shall contain (a) the agreement of the insurer to give Lessee at least thirty (30) days' notice prior to cancellation (including, without limitation, for non-payment of premium) or any material change in said policies; (b) an agreement that such policies are primary and non-contributing with any insurance that may be carried by Lessor; (c) a provision that no act or omission of Lessor or Lessee shall affect or limit the obligation of the insurance carrier to pay the amount of any loss sustained; (d) a waiver by the insurer of all right of subrogation against Lessor, Lessee and its authorized parties in connection with any loss or damage thereby insured against; and (e) terms providing that any loss covered by such insurance may be adjusted with the Lessor and Lessee. Provided the Lessee is not in default hereunder, such proceeds shall be used to restore or repair the Leased Premises, so long as Lessee, in its sole discretion, determines that it is feasible to do so, and, in such event, Lessor shall provide or cause to be provided sufficient additional funds which, when added to such proceeds, will fully effect such repair or restoration.

Section 6.3 **Evidence of Insurance.** Certificates of insurance for all insurance required to be maintained by either Party under this Article 6 shall be furnished by said Party to the other Party on or before the date of this Lease.

Section 6.4 **Failure to Maintain.** If Lessor fails to maintain such insurance, Lessee, at its election, may procure such insurance as may be necessary to comply with the above requirements (but shall not be obligated to procure same), and Lessor agrees, at the option of Lessee, either to repay to Lessee the cost of such insurance upon demand, together with interest on the amount so paid by Lessee, accruing at the Delinquency Rate from the date of Lessee's payment for such insurance through the date of Lessor's repayment thereof to Lessee or to offset said amount paid by Lessee against Rent or any other amounts due from Lessee to Lessor.

ARTICLE VII

MAINTENANCE, ALTERATIONS, REPAIRS AND REPLACEMENTS

Section 7.1 **Maintenance of Leased Premises.** During the Term, Lessor shall, at Lessor's sole cost and expense, keep and maintain the interior (including vacant unit preparation for new occupants) and exterior of the Leased Premises and all appurtenances thereunto belonging, in good and safe order, condition and repair; provided, however (i) maintenance of the Common Elements comprising of the Leased Premises shall be provided as set forth in the Condominium Declaration and (ii) Lessee shall be responsible for extraordinary damage to the Leased Premises caused by Tenants. All such maintenance and repair (a) shall conform to and comply with all Legal Requirements affecting the Leased Premises, including, without limitation, all applicable requirements pertaining to Public Housing Units; and (b) shall conform to and comply with the Annual Contributions Contract.

Section 7.2 **Alterations to Leased Premises.** Lessor or Lessee may make any additions, alterations or changes (sometimes collectively referred to herein as "Alterations") in or to the Leased Premises subject, however, to the following conditions:

(a) No Alterations shall be made that would tend to impair the structural soundness of the Leased Premises or decrease the number of bedrooms in, or square footage of, any unit;

(b) No Alterations shall be undertaken that are prohibited by, or would cause the Leased Premises, the Lessee or the Lessor to be in breach or violation of Section 3.3 of this Lease, the Annual Contributions Contract or any Legal Requirements;

(c) No Alterations shall be undertaken until Lessor or Lessee, as the case may be, shall have procured, to the extent the same may be required from time to time, all permits and authorizations of all applicable Governmental Authorities. Lessor shall join in the application for such permits or authorizations whenever such action is necessary or helpful and is requested by Lessee, and shall use Lessor's reasonable efforts to obtain such permits or authorizations; and

(d) Any Alterations shall be performed in good and workmanlike manner and in compliance with all applicable Legal Requirements and all applicable Insurance Requirements and the Condominium Declaration.

ARTICLE VIII

LESSOR MORTGAGES; ESTOPPEL CERTIFICATES

Section 8.1 **Mortgage of Lessor's Estate.** Lessor agrees that it shall not encumber or convey any interest in Lessor's Estate with any deed to secure debt, mortgage, deed of trust or other instrument in the nature thereof as security for any debt, except to CMHDC as hereinafter provided.

(a) Concurrently herewith, CMHDC has provided a loan to Lessor in the amount of Three Hundred Eighty-Four Thousand and No/100 Dollars (\$384,000.00) (i.e., \$24,000.00 for each of the 16 condominium units) (the "CMHDC Loan") to (i) pay for securing very low income housing for Public Housing Eligible Households within a mixed income development and (ii) pay for a portion of total development costs for the Leased Premises which are not included in the total development costs paid by Lessee pursuant to Section 4.1(b) hereof. The CMHDC Loan shall be for a term corresponding to the Term of this Lease.

(b) During any period in which the CMHDC Loan is in place, Lessor and Lessee shall give CMHDC a duplicate copy of all notices of default or other notices that Lessor or Lessee, as the case may be, may give to or serve in writing upon the other Party pursuant to

the terms of this Lease. No notice by either Lessor or Lessee to the other Party shall be effective unless and until a copy of such notice has been provided to CMHDC. The address of CMHDC may be changed by written notice delivered to Lessor and Lessee in the manner specified in Section 17.11 hereof.

(c) CMHDC, at its option at any time within thirty (30) days following expiration of the right of Lessor or Lessee, as the case may be, to cure any default under this Lease, may pay any amount or do any act or thing required of Lessor or Lessee, as the case may be, by the terms of this Lease. All payments made and all acts performed by CMHDC within such thirty (30) day period shall be effective to prevent a default by Lessor or Lessee, as the case may be, to the same extent as if they had been performed by Lessor or Lessee, as the case may be. CMHDC shall be subrogated to any and all rights of the person or persons to whom any payment is made by CMHDC upon the curing of such default.

(d) CMHDC shall not be or become liable to Lessor or Lessee hereunder unless it expressly assumes by written instrument such liability (in which event CMHDC's liability shall be limited to the period of time during which it is the owner of the leasehold estate created hereby) and no assumption shall be inferred from or result from foreclosure or other appropriate proceedings in the nature thereof or as the result of any other action or remedy provided for by the CMHDC Loan.

Section 8.2 **Estoppel Certificates.** Lessor and Lessee agree that at any time and from time to time upon not less than twenty (20) days prior written notice by the other Party, or upon request from CMHDC or a permitted assignee or other interested party, Lessor or Lessee will execute, acknowledge and deliver to the other Party or to CMHDC a statement in writing certifying (a) that this Lease is unmodified (or if modified, a description of the modifications) and in full force and effect; (b) the date through which the Rent and other charges payable by the Lessee have been paid; (c) the date through which Authority Unit Expenses, Impositions and other charges payable by the Lessor have been paid; (d) that, to the knowledge of the certifier (if such be the case), there is no default, set-off, defense or other claim against Lessor or Lessee, as applicable, other than those, if any, so specified under the provisions of this Lease; and (e) such other matters reasonably requested by said Party. It is intended that any such statement may be relied upon by any persons proposing to acquire the interest of Lessor, Lessee or CMHDC.

ARTICLE IX

REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 9.1 **Representations, Warranties and Covenants of Lessor.** As an inducement to Lessee to enter into and proceed under this Lease, Lessor warrants and represents to Lessee as follows, which warranties, representations and covenants are true and correct as of the date of this Lease and throughout the Term of this Lease, except as otherwise provided herein:

(a) Lessor has good and marketable, fee simple title to the Leased Premises, subject only to the Permitted Encumbrances, and has the right, power and authority to enter into this Lease and to lease the Leased Premises to Lessee in accordance with the terms, provisions and conditions contained in this Lease, and no other party has any right or option to or in connection with the Leased Premises;

(b) to the best knowledge and belief of Lessor, there is no litigation or action, pending or threatened, affecting the Leased Premises or any streets or other public rights-of-way abutting or serving the Leased Premises;

(c) Lessor has received no written notice and has no knowledge, nor has Lessor been otherwise advised, of any pending or threatened Taking relating to all or any part of the Leased Premises;

(d) the entry by Lessor into this Lease with Lessee and the performance of all of the terms, provisions and conditions contained herein will not, or with the giving of notice or the passage of time, or both, would not, violate or cause a breach or default under any other agreement relating to the Leased Premises to which Lessor is a party or by which it is bound, including, without limitation, the Permitted Encumbrances;

(e) there will be no tenant, lessee or other occupant of the Leased Premises having any right or claim to possession or use of the Leased Premises; and possession of the Leased Premises shall be delivered to Lessee on the Commencement Date free of the rights or claims of any tenants, occupants or other parties in possession of, or claiming any right to possession or use of the Leased Premises;

(f) there are no unpaid special assessments of which Lessor has received notice for sewer, sidewalk, water, paving, gas, electrical or utility improvements or other capital expenditures, matured or unmatured, affecting the Leased Premises;

(g) there are no outstanding notices of, nor, to Lessor's knowledge, any violations of any Legal Requirements affecting any portion of the Leased Premises;

(h) Lessor is not obligated under any written contract, lease or agreement with respect to the ownership, use, operation or maintenance of the Leased Premises, except for obligations of Lessor, if any, under the Condominium Declaration, Management Agreement, CMHDC Loan and the Agreement for the Sale and Redevelopment of Land, dated 6/10/96, between City and MCL/ASD LLCII recorded by the Cook County Recorder of Deeds on June 11, 1996 as Document Number 96445425;

(i) neither the Leased Premises nor any part thereof has been used for the disposal of refuse or waste, or for the generation, processing, manufacture, storage, handling, treatment, transportation or disposal of any Hazardous Substances. No Hazardous

Substances have been installed, used, stored, handled or located on or beneath the Leased Premises, which Hazardous Substances, if found on or beneath the Leased Premises, or improperly disposed of off of the Leased Premises, would subject the owner or occupant of the Leased Premises to damages, penalties, liabilities or an obligation to perform any work, cleanup, removal, repair, construction, alteration, demolition, renovation or installation in or in connection with the Leased Premises ("Environmental Cleanup Work") in order to comply with any Legal Requirements applicable to Hazardous Substances. No notice from any Governmental Authority or any Person has ever been served upon Lessor, its agents or employees, claiming any violation of any Legal Requirement pertaining to Hazardous Substances or any liability thereunder, or requiring or calling any attention to the need for any Environmental Cleanup Work on or in connection with the Leased Premises, and neither Lessor, its agents or employees has ever been informed of any threatened or proposed serving of any such notice of violation or corrective work order. No part of the Leased Premises is affected by any "Hazardous Substances Contamination", which for purposes hereof, shall mean (i) the contamination of any improvements, facilities, soil, subsurface strata, ground water, ambient air, blots or other elements on or of the Leased Premises by Hazardous Substances, or (ii) the contamination of the buildings, facilities, soil, subsurface strata, ground water, ambient air, biota or other elements on, or of, any other property as a result of Hazardous Substances emanating from the Leased Premises;

(j) at all times during the Term, Lessor and/or its authorized representative shall use, maintain and operate the Leased Premises thereon in accordance with the terms, conditions and restrictions of this Lease, the Act, HUD regulations and the Annual Contributions Contract;

(k) Lessor has caused the Leased Premises to be constructed in substantial compliance with the construction plans and specifications for the Leased Premises previously approved by the City and Lessee. The Leased Premises have been constructed in a good and workmanlike manner in compliance with all applicable Legal Requirements, the Act, HUD regulations and the Annual Contributions Contract; and

(l) Lessor agrees that it shall not vote for any amendment to the Condominium Declaration or Homeowner's Declaration which would have the effect of infringing on the rights of Lessee under this Lease or impose requirements on the Leased Premises contrary to the Act or the Annual Contributions Contract. Lessor agrees that Lessee shall be entitled to direct Lessor as to the exercise of its vote at condominium and homeowner association meetings and Lessor agrees that it shall exercise such vote as directed by Lessee. During the Term of this Lease, Lessor agrees to advise Lessee in advance of all meetings of the condominium and homeowner associations and to permit Lessee to attend such meetings.

Section 9.2 **Representations, Warranties and Covenants of Lessee.** As an inducement to Lessor to enter into and to proceed under this Lease, Lessee warrants and represents to Lessor as

follows, which warranties, representations and covenants are true and correct as of the date of this Lease and throughout the Term of this Lease, except as otherwise provided herein:

(a) Lessee has the right, power and authority to enter into this Lease and the right, power and authority to comply with the terms, obligations, provisions and conditions contained in this Lease subject to HUD approval; and

(b) subject to HUD approval, the entry by Lessee into this Lease and the performance of all of the terms, provisions and conditions contained herein will not, or with the giving of notice or the passage of time, or both, would not, violate or cause a breach or default under any other agreements to which Lessee is a party or by which it is bound.

Section 9.3 Mutual Hazardous Materials Indemnification.

(a) Lessee, from and after the Commencement Date, hereby agrees to indemnify, protect, hold harmless and defend (by counsel reasonably satisfactory to Lessor) the Lessor and its members from and against any and all claims, losses, damages, liabilities, fines, penalties, charges, administrative and judicial proceedings and orders, judgments, remedial action requirements, enforcement actions of any kind, and all costs and expenses incurred in connection therewith (including, but not limited to, reasonable attorney's fees and expenses), arising directly or indirectly, in whole or in part, out of the failure of the Lessee from and after the Commencement Date to comply with any Hazardous Substances Law relating to the handling, treatment, presence, removal, storage, decontamination, cleanup, transportation or disposal of Hazardous Substances into, on, under or from the Leased Premises at any time after the Commencement Date (provided, however, (i) that the Lessee shall not be liable or obligated hereunder for any such non-compliance occasioned solely by reason of its activities with respect to soils or materials already located on the Leased Premises as of the Commencement Date) and (ii) that Lessee shall not be liable hereunder for such non-compliance by Tenants.

(b) Lessor hereby agrees to indemnify, protect, hold harmless and defend (by counsel reasonably satisfactory to the Lessee) the Lessee, officers, directors, affiliates and employees from and against any and all claims, losses, damages, liabilities, fines, penalties, charges, administrative and judicial proceedings and orders, judgments, remedial action requirements, enforcement actions of any kind, and all costs and expenses incurred in connection therewith (including, but not limited to, reasonable attorney's fees and expenses), arising directly or indirectly, in whole or in part, out of (i) the failure of the Lessor to comply with any Hazardous Substances Law relating to the handling, treatment, presence, removal, storage, decontamination, cleanup, transportation or disposal of Hazardous Substances into, on, under or from the Leased Premises; or (ii) any activity carried on or undertaken on or off the Leased Premises (exclusive of activities or actions for which Lessee has indemnified Lessor under Section 9.3(a) hereof) in connection with the handling, treatment, removal, storage, decontamination, cleanup, transport or disposal of any Hazardous Substances located

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or present on or under the Leased Premises (provided, however that the foregoing indemnity shall not apply to any matters occurring prior to ~~date of acquisition by Lessor~~ unless Lessor (or any person or entity which owns an interest in or is otherwise affiliated with Lessor) shall have had actual knowledge as to such matter).

ARTICLE X

EMINENT DOMAIN

Section 10.1 **Termination of Lease**. Lessor and Lessee agree that, in the event of a Taking such that Lessee reasonably determines that the Leased Premises or a portion thereof cannot continue to be operated for its then-current use, then this Lease shall terminate, at Lessee's sole option, as to the Leased Premises or portion thereof so taken, as of the Taking date. If this Lease terminates as aforesaid as to a portion of the Leased Premises, Rent, Authority Unit Expenses and any other charges payable hereunder by Lessor or Lessee shall be ratably adjusted and the Net Condemnation Award shall be disbursed in accordance with Section 10.4 hereof.

Section 10.2 **Continuation of Lease**. Lessor and Lessee agree that, in the event of a Taking that does not result in the termination of this Lease pursuant to Section 10.1 above, this Lease shall continue in effect as to the remainder of the Leased Premises, and the Net Condemnation Award will be disbursed in accordance with Section 10.4 below and Rent, Authority Unit Expenses and other charges payable hereunder by Lessor or Lessee shall be ratably adjusted.

Section 10.3 **Temporary Taking**. If there shall be a temporary Taking with respect to all or any part of the Leased Premises or of Lessee's interest in this Lease, then the Term shall not be reduced and Lessee shall not be required to pay Rents and other charges required herein with respect to that portion of the Leased Premises so taken and Lessee shall not be required to perform such obligations that Lessee is prevented from performing by reason of such temporary Taking.

Section 10.4 **Apportionment of Award**. If there is a Taking, whether whole or partial, Lessor and Lessee shall be entitled to receive and retain such separate awards and portions of lump sum awards as may be allocated to their respective interests in any condemnation proceedings, or as may be otherwise agreed, taking into consideration the fact that Lessee shall be deemed to have contributed One Hundred One Thousand and No/100 Dollars (\$101,000.00) for each condominium unit so taken toward the construction thereof as provided in Section 4.2(b) hereof and Lessee's Residual Payment (the actual aggregate amount so contributed being referred to as the "Lessee's Contribution"). If the Leased Premises shall be restored as is contemplated in Section 10.2 above, Lessor shall be entitled to recover the costs and expenses incurred in such restoration out of any Net Condemnation Award. Thereafter, if the condemning authority does not make separate awards the Parties agree that any Net Condemnation Award will be allocated on a proportionate basis in accordance with their respective interests herein. Notwithstanding anything herein to the contrary, Lessee shall receive not less than Lessee's Residual Payment, together with the \$101,000.00 payment

made by Lessee toward the construction of each condominium unit pursuant to Section 4.2 hereof prorated over the remainder of the Term as if the Taking had not occurred. If the Parties are unable to agree as to the exact amount of such allocation or if such allocation is no longer applicable because of the repayment of the Lessee's Contribution and the Parties are unable to agree as to amounts that are to be allocated to the respective interests of each Party, then each Party shall select an independent M.A.I. real estate appraiser (an "Appraiser"). Each Appraiser shall separately determine the amount of the balance of the Net Condemnation Award that is to be allocated to the interests of each Party. If the percentage of the balance of the Net Condemnation Award each Appraiser allocates to Lessor (a) are within ten percent (10%) of each other, the two (2) allocations shall be averaged, and such average shall be the final allocation of the Net Condemnation Award, or (b) are not within ten percent (10%) of each other, the two Appraisers shall then select a third Appraiser, who shall independently allocate the Net Condemnation Award between Lessor and Lessee, and the middle of such three (3) allocations shall be the final allocation of the Net Condemnation Award. Notwithstanding anything herein to the contrary, Lessor shall pay to CMHDC from its condemnation award one-sixteenth (1/16th) of any all amounts outstanding under the CMHDC loan for each condominium unit of the Leased Premises so taken.

Section 10.5 **Joinder**. CMHDC to the extent permitted by law, shall be made a party to any Taking proceeding.

ARTICLE XI

DAMAGE OR DESTRUCTION

Section 11.1 **Restoration of Leased Premises**. Each Party hereto shall give prompt written notice to the other Party after the occurrence of any fire, earthquake, act of God or other casualty to or in connection with the Leased Premises or any portion thereof (hereinafter sometimes referred to as a "Casualty"). In the event of a Casualty, Lessor shall promptly repair or restore the Leased Premises. Until the Leased Premises shall be repaired or restored so that the Leased Premises are ready for occupancy by Tenants, Rent and other charges required to be paid by Lessee with respect to that portion of the Leased Premises subject to the Casualty shall be abated. Lessor shall provide or cause to be provided sufficient additional funds which, when added to such insurance proceeds, will fully effect such repair or restoration. Upon the occurrence of any such Casualty, Lessor, promptly and with all due diligence shall apply for and collect all applicable insurance proceeds recoverable with respect to such Casualty.

Section 11.2 **Insurance Proceeds**. In the event that the association for the Condominium Project maintains the insurance policies as provided in Section 6.1 hereof, the terms and conditions of the Condominium Declaration and the Illinois Condominium Act shall govern and control as to the application of insurance proceeds. In the event that Lessor maintains the insurance policies provided for in Section 6.1 hereof, the disbursement of insurance proceeds shall be subject to the joint approval of Lessor and Lessee.

Section 11.3 **Termination of Lease.** In the event the association for the Condominium Project elects pursuant to the terms and conditions of the Condominium Declaration and the Illinois Condominium Act to not restore the Condominium Project, the insurance proceeds applicable to the Leased Premises shall be distributed as follows: (i) first to CMHDC one-sixteenth (1/16th) of any and all amounts outstanding under the CMHDC Loan for each condominium unit of the Leased Premises which is not restored; (ii) second to Lessee, \$101,000.00 for each condominium unit which is not restored prorated over the remainder of the Term as if the termination of the Lease had not occurred; and (iii) to Lessor and Lessee, in the respective amounts of seventy-five percent (75%) and twenty-five percent (25%) of the remaining insurance proceeds.

ARTICLE XII

EVENTS OF DEFAULT

Section 12.1 **Lease Default by Lessee.** Lessee shall be in default under this Lease if it fails to pay any Rent or any other sum of money due hereunder when due for a period of ten (10) days after notice thereof has been given by Lessor to Lessee or if Lessee fails to perform or observe any of the provisions of this Lease (other than the provisions requiring the payment of Rent or other sums of money) stipulated in this Lease to be observed and performed by Lessee, if such failure shall continue for a period of thirty (30) days after notice thereof has been given by Lessor to Lessee provided that such thirty (30) day period shall be extended if any such failure cannot reasonably be cured within such thirty (30) day period, so long as Lessee promptly commences the curing of any such failure and thereafter proceeds in good faith and with due diligence to remedy and correct such failure within a reasonable period of time provided the same is capable of being cured by Lessee.

Section 12.2 **Lessor's Remedies.** At any time after the occurrence of a Lease default by Lessee and subject to Section 12.5 below, if Lessee shall have failed to cure a default under Section 12.1 after expiration of the applicable time for cure of a particular default, Lessor, at its election and as its sole and exclusive remedies, but without obligation therefor (i) may seek specific performance of any obligation of Lessee or (ii) from time to time without releasing Lessee in whole or in part from the obligations to be performed by Lessee hereunder, may cure the default at Lessee's cost and may offset any costs so incurred against any amounts due from Lessor hereunder. Any reasonable costs incurred by Lessor in order to cure such a default by Lessee shall be due immediately from Lessee with interest at the Delinquency Rate accruing from the date of Lessee's payment of such cost through the date of Lessee's repayment thereof to Lessor.

Section 12.3 **Lease Default by Lessor.** Lessor shall be in default of this Lease if it fails to pay when due Authority Unit Expenses, Impositions, insurance premium or other sum of money herein stipulated to be paid by Lessor if such failure shall continue for a period of ten (10) days after notice thereof has been given by Lessee to Lessor or if Lessor fails to perform any provision of this Lease that it is obligated to perform and if the failure to perform is not cured within thirty (30) days after written notice of the default has been given to Lessor provided that such thirty (30) day period

shall be extended if the default cannot reasonably be cured within such thirty (30) day period so long as Lessor promptly commences the curing of any default and thereafter diligently and in good faith continues to cure the default until completion, provided the same is capable of being cured by Lessor.

Section 12.4 **Lessee's Remedies**. If Lessor shall have failed to cure a default under Section 12.3 after expiration of the applicable time for cure of a particular default, Lessee, at its election and as its sole and exclusive remedies, but without obligation therefor (i) may seek specific performance of any obligation of Lessor, or (ii) from time to time without releasing Lessor in whole or in part from the obligations to be performed by Lessor hereunder, may cure the default at Lessor's cost and may offset any costs so incurred against any amounts owed by Lessee to Lessor. Any reasonable costs incurred by Lessee in order to cure such a default by Lessor shall be due immediately from Lessor, with interest at the Delinquency Rate accruing from the date of Lessor's payment of such cost through the date of Lessor's repayment thereof to Lessee.

Section 12.5 **HUD Cure Rights**.

(a) Lessor and Lessee shall each give HUD a duplicate copy of all notices of default or other notices that said Party may give to or serve in writing upon the other Party pursuant to the terms of this Lease. No notice by either Lessor or Lessee under this Lease shall be effective unless or until a copy of such notice has been provided to HUD.

(b) HUD, at its option, at any time within thirty (30) days following expiration of the right of Lessee to cure any default under this Lease, may pay any amount or do any act or thing required of Lessee by the terms of this Lease. All payments made and all acts performed by HUD within such thirty (30) day period should be effective to prevent a default under this Lease by Lessee to the same extent as if they had been performed by Lessee.

Section 12.6 **Notices**. Notices given by Lessor or Lessee, as applicable, under Sections 12.1 or 12.3, as the case may be, shall specify the alleged default and the applicable Lease provisions, and shall demand that Lessee or Lessor, as the case may be, perform the appropriate provisions of this Lease within the applicable period of time for cure.

ARTICLE XIII

QUIET ENJOYMENT AND POSSESSION

Lessor covenants and warrants that Lessee, upon payment of all sums currently due hereunder and upon performance and observance of all of its covenants herein contained, shall peaceably and quietly have, hold, occupy, use and enjoy, and shall have the full, exclusive and unrestricted use and enjoyment of, all of the Leased Premises during the Term, subject only to the provisions of this Lease and all applicable Legal Requirements. Lessor agrees to warrant and forever defend the title to the Leased Premises against the claims of any and all persons whomsoever lawfully claiming by, through

or under Lessor, but not otherwise, subject only to the provisions of this Lease, and all applicable Legal Requirements.

ARTICLE XIV

VACATION OF LEASED PREMISES

Lessee covenants that upon expiration of the Term of this Lease, Lessee will peaceably and quietly yield and surrender possession of the Leased Premises to Lessor. The foregoing, however, will be subject to the rights of Tenants or others in possession pursuant to Tenant Leases with Lessee; provided that such Tenants are not in default thereunder and attorn to Lessor as their lessor. An action of forcible detainer shall lie if Lessee holds over after a demand for possession is made by Lessor.

ARTICLE XV

RESIDUAL PAYMENT BY LESSOR TO LESSEE

Section 15.1 Lessee's Residual Payment. Upon the expiration of the Term and as a condition for such termination, Lessor and Lessee shall jointly determine the fair market value of the Leased Premises as "for sale" housing. Upon making such determination, Lessor shall pay (i) to CMHDC all principal, interest and other charges due and owing pursuant to the CMHDC Loan and (ii) to Lessee an amount equal to twenty five percent (25%) ("Lessee's Residual Payment") of the balance remaining of said fair market value after the payment specified in subparagraph (i) above). In the event Lessor and Lessee are not able to agree upon said fair market value of the Leased Premises within thirty (30) days following the expiration of the Term, each Party shall select an Appraiser. Each Appraiser shall separately determine said fair market value of the Leased Premises. If the fair market value appraisals by the Appraisers shall be within ten (10%) percent of each other, the fair market value shall be the average of the two appraisals. If the fair market value appraisals shall not be within ten percent (10%) of each other, the two Appraisers shall then select a third Appraiser, who shall independently determine the fair market value of the Leased Premises as "for-sale" market rate housing and the average of all three appraisals shall be the fair market value of the Leased Premises. Until Lessee received Lessee's Residual Payment, this Lease shall remain in full force and effect.

Section 15.2 Mortgage and Security Interest for Purposes of Securing Lessee's Residual Payment. Lessor does hereby grant and convey to Lessee, its successors and assigns, a lien in and to the Leased Premises to secure Lessor's payment to Lessee of Lessee's Residual Payment. In connection therewith:

(a) In the event that Lessor shall fail to pay to Lessee the Lessee's Residual Payment when due, Lessee shall thereupon be entitled to bring an action at law or in equity against Lessor including, without limitation, an action (i) to foreclose a lien against the Leased Premises, (ii) for damages, injunctive relief or specific performance, (iii) for judgment or for the payment of money and the collection thereof (iv) for any combination of the remedies set forth herein, or (v) for any other relief which Lessee may deem necessary or appropriate. Any and all rights and remedies provided for herein or in law or in equity may be exercised at any time and from time to time cumulatively or otherwise be Lessee in its sole discretion. The failure of Lessee to exercise any such rights or remedies to enforce the provisions of this Lease shall in no event be deemed a waiver of the right to do so thereafter.

(b) To the extent permitted by law, in any case in which Lessee has a right to institute foreclosure proceedings, whether before or after the institution of such proceedings or before or after sale thereunder, Lessor shall, at the option of Lessee, surrender to Lessee and Lessee shall be entitled to take actual possession of all or any portion of the Leased Premises personally or by its agents or attorneys and Lessee, in its sole discretion may enter upon, take and maintain possession of all or any portion of the Leased Premises. Upon taking possession of the Leased Premises, Lessee may make all necessary or proper repairs, decorations, renewals, replacements, alterations, additions, betterments and improvements in connection with the Leased Premises as it may deem judicious to ensure, protect and maintain the Leased Premises against all risks incidental to Lessee's possession, operation and management thereof, and may receive all rents, issues and profits therefrom. Lessee shall have, in addition to any other power provided herein, all powers and duties as provided for in Sections 5/15-1701, 5/15-1702 and 5/15-1703 of the Illinois Mortgage Foreclosure Law.

(c) The Leased Premises or any interest or estate therein sold pursuant to any court order or a decree obtained under this Lease shall be sold in one parcel, as an entirety, or in such parcels and in such manner or order as Lessee, in its sole discretion may elect, to the maximum extent provided by Illinois law. At such sale, Lessee may bid for and acquire, as purchaser, all or any portion of the Leased Premises and, in lieu of paying cash therefor, may make settlement for the purchase price by crediting upon the indebtedness due the amount of Lessee's bid. Upon or at any time after the filing of any complaint to foreclose the lien of this Lease, the court may, upon application, appoint a receiver of the Leased Premises.

(d) Proceeds of any foreclosure sale of the Leased Premises shall be distributed and applied in the following order of priority: (i) on account of all costs and expenses incident to the foreclosure proceedings, (ii) to payment of Lessee's Residual Interest and all costs and expenses referred to in subsection 15.2(e) hereof, and (iii) any surplus or remaining funds to Lessor, its successors or assigns, as their rights may appear.

(e) Provided that Lessee shall prevail in such litigation, all expenses incurred by Lessee in connection with any actions, proceedings or self-help in connection with the exercise of its rights and remedies hereunder, including without limitation, court costs,

reasonable attorneys' fees and all other fees and expenses and all damages, together with interest until paid on Lessee's Residual Payment and on such expenses at the Delinquency Rate, shall be charged to and assessed against Lessor, and shall be added to and deemed part of Lessee's Residual Payment and Lessee shall have a lien for all of said costs and interest upon the Leased Premises.

ARTICLE XVI

TRANSFERS

Section 16.1 Permitted Transfer by Lessor.

(a) Except as provided in this Article 16, and subject to the approval of HUD and all statutory and regulatory requirements applicable to the transfer of the Public Housing Units and this leasehold, Lessor shall have no right to Transfer any legal or beneficial interest in Lessor's Estate or any interest of a managing member, general partner or controlling stockholder ("Controlling Interest") in Lessor or a Controlling Interest in any entity which has a Controlling Interest in Lessor without first obtaining (i) HUD's written approval, (ii) Lessee's written consent, (iii) the transferee's assumption of the obligations of Lessor hereunder pursuant to an instrument reasonably acceptable to HUD and Lessee, and (iv) the City's consent to such transfer. Notwithstanding the foregoing, HUD and Lessee acknowledge that they will not unreasonably withhold, delay or condition a request by Lessor for HUD's and Lessee's consent to an internal reorganization of the corporate or partnership (or limited liability company, if applicable) structure of Lessor or any of the general partners of Lessor.

(b) Upon the granting of any consent by Lessee with respect to a Transfer by Lessor, this Lease shall be binding upon and shall inure to the benefit of Lessor and Lessee and their respective heirs, successors, assigns, legal representatives, Tenants and other transferees, and, upon assumption by the assignee of all of the rights and obligations of the assignor under this Lease, the assignor shall be released from any liability hereunder accruing from and after the date of such Transfer. Upon request of the assignor, Lessee shall execute and deliver to the assignor a release agreement in a form reasonably acceptable to Lessee and the assignor to evidence such release.

Section 16.2 Transfer by Lessee.

(a) Except for subleasing units comprising the Leased Premises to Public Housing Eligible Households, Lessee shall not Transfer all or any portion of its interest in Lessee's Estate, if the same would cause a violation or breach of (i) any Legal Requirement, or (ii) the provisions of Subsection 16.2(b) below. Notwithstanding anything contained herein, Lessor hereby acknowledges and agrees that HUD or any receiver or appointee named by HUD or

at HUD's request, shall have the right, in accordance with its rights under the Annual Contributions Contract, to take over by transfer or otherwise the Lessee's interest under this Lease.

(b) Lessee acknowledges and covenants that it shall not Transfer Lessee's Estate during the period when the Public Housing Units are required to be maintained and operated as such. The foregoing covenant shall be deemed to be a covenant running with the land made for the benefit of HUD and shall be enforceable by it during the Term.

ARTICLE XVII

MISCELLANEOUS PROVISIONS

Section 17.1 **Entire Agreement; Modifications.** This Lease supersedes all prior discussions and agreements between the Parties with respect to the leasing of the Leased Premises. This Lease contains the sole and entire understanding between the parties with respect to the transactions contemplated by this Lease, and all promises, inducements, offers, solicitations, agreements, representations and warranties heretofore made between the Parties, if any, are merged into this Lease. This Lease shall not be modified or amended in any respect, except by written instrument specifically referencing such a modification or amendment which is executed by or on behalf of the Parties in the same manner as this Lease is executed.

Section 17.2 **Governing Law.** This Lease, and the rights and obligations of the Parties hereunder, shall be governed by and construed in accordance with the substantive laws of the State of Illinois.

Section 17.3 **Binding Effect.** This Lease shall inure to the benefit of and be binding upon the Parties hereto, their heirs, successors, administrators, executors and permitted assigns.

Section 17.4 **Severability.** In the event any provision or portion of this Lease is held by any court of competent jurisdiction to be invalid or unenforceable, such holdings shall not affect the remainder hereof, and the remaining provisions shall continue in full force and effect to the same extent as would have been the case had such invalid or unenforceable provision or portion never been a part hereof.

Section 17.5 **Further Assurances.** From and after the date of this Lease, Lessor and Lessee, at the request of the other Party, shall make, execute and deliver or obtain and deliver all such affidavits, deeds, certificates, resolutions and other instruments and documents, and shall do or cause to be done all such other things that either Party may reasonably require in order to effectuate the provisions and the intention of this Lease.

Section 17.6 **Captions.** All captions, headings, paragraphs, subparagraphs, letters and other reference captions are solely for the purpose of facilitating convenient reference to this Lease, shall not supplement, limit or otherwise vary the text of this Lease in any respect, and shall be wholly disregarded when interpreting the meaning of any terms or provisions hereof. All references to particular articles, sections, subsections, paragraphs and subparagraphs by number refer to the text of such items as so numbered in this Lease.

Section 17.7 **Gender.** Words of any gender used in this Lease shall be held and construed to include any other gender, and words of a singular number shall be held to include the plural, and vice-versa, unless the context requires otherwise.

Section 17.8 **Exhibits.** Each and every exhibit referred to or otherwise mentioned in this Lease is attached to this Lease and is and shall be construed to be made a part of this Lease by such reference or other mention at each point at which such reference or other mention occurs, in the same manner and with the same effect as if each exhibit were set forth in full at length every time it is referred to and otherwise mentioned.

Section 17.9 **References.** All references to paragraphs or subparagraphs shall be deemed to refer to the appropriate paragraph or subparagraph of this Lease. Unless otherwise specified in this Lease, the terms "herein," "hereof," "hereinafter," "hereunder" and other terms of like or similar import, shall be deemed to refer to this Lease as a whole, and not to any particular paragraph or subparagraph hereof.

Section 17.10 **Rights Cumulative.** Except as expressly limited by the terms of this Lease, all rights, powers and privileges conferred hereunder shall be cumulative and not restrictive of those provided at law or in equity.

Section 17.11 **Notices.** All, notices, requests, demands, or other communications required or permitted to be given hereunder shall be in writing and shall be addressed and delivered by hand or by certified mail, return receipt requested, or by Federal Express or other recognized, reputable overnight courier, or by hand delivery by a recognized, reputable courier, to each party at the addresses set forth below. Any such notice, request, demand or other communication shall be considered given or delivered, as the case may be, on the date of receipt. Rejection or other refusal to accept or inability to deliver because of changed address of which proper notice was not given shall be deemed to be receipt of the notice, request, demand or other communication. By giving prior written notice thereof, any Party, from time to time, may change its address for notices hereunder. Legal counsel for the respective Parties may send to the other Party any notices, requests, demands or other communications required or permitted to be given hereunder by such Party.

(a) To Lessor: MCL/ASD Limited Liability Company III
RSD, L.P.
c/o Allison S. Davis
54 West Hubbard Street, Suite 205

Chicago, Illinois 60610

with a copy to: John J. George, Esq.
20 South Clark Street, Suite 400
Chicago, Illinois 60603

(b) To Lessee: The Chicago Housing Authority
626 West Jackson Boulevard
Chicago, Illinois 60661
Attn: Executive Director

with a copy to: The Chicago Housing Authority
Office of the General Counsel
200 West Adams Street
Suite 2100
Chicago, Illinois 60606
Attn: General Counsel

and with a copy to: U.S. Dept. of Housing and Urban Development
451 7th Street, S.W.
Room 4142
Washington, D. C. 2W10
Attn: Deputy Assistant Secretary,
Office of Distressed and Troubled Housing

(c) To CMHDC: Chicago Metropolitan Housing Development Corporation
200 West Adams Street
Suite 2103
Chicago, Illinois 60606
Attn: Executive Director

Section 17.12 **Counterparts.** This Lease may be executed in several counterparts, each of which shall be deemed an original, and all such counterparts together shall constitute one and the same agreement.

Section 17.13 **Time of Essence.** Time is and shall be of the essence in this Lease.

Section 17.14 **Relationship of Parties: No Third Party Beneficiary** No relationship exists between Lessor and Lessee other than landlord and tenant. The parties hereto expressly declare that, in connection with the activities and operations contemplated by this Lease, they are neither partners nor joint venturers. Nothing contained in any agreement or contract between the Parties hereto, nor any act of HUD, Lessee or any of the parties, will be deemed or construed to create any relationship

of third party beneficiary, principal and agent, limited or general partnership, joint venture or any association or relationship involving HUD.

Section 17.15 Memorandum of Lease. The Parties shall execute and acknowledge a memorandum of ground lease, in the form attached hereto as Exhibit C and made a part hereof, which Memorandum shall be recorded at Lessor's expense. Such memorandum shall include such information as is required in order for Lessor to deliver to Lessee at Lessor's sole cost and expense, an ALTA Leasehold Owners Policy.

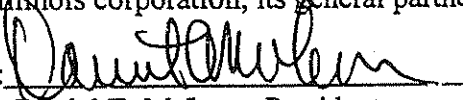
IN WITNESS WHEREOF, this Lease is made and entered into in multiple original counterparts on the day and year first above written.

LESSOR:

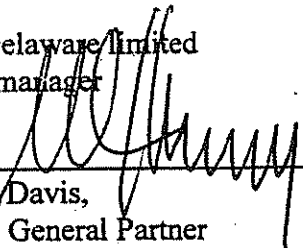
MCL/ASD Limited Liability Company III, an Illinois limited liability company

By: Lincoln Park Development Associates, L.P., an Illinois limited partnership, a manager

By: Lincoln Park Development Associates, Inc., an Illinois corporation, its general partner

By: 
Daniel E. McLean, President

By: RSD, L.P., a Delaware limited partnership, a manager

By: 
Allison S. Davis,
Managing General Partner

By: Old Town Mohawk CHA, LLC

By: 
Karen MacAdam, Manager

LESSEE:

Chicago Housing Authority,
an Illinois municipal corporation

By: _____
Title: _____

of third party beneficiary, principal and agent, limited or general partnership, joint venture or any association or relationship involving HUD.

Section 17.15 **Memorandum of Lease.** The Parties shall execute and acknowledge a memorandum of ground lease, in the form attached hereto as Exhibit C and made a part hereof, which Memorandum shall be recorded at Lessor's expense. Such memorandum shall include such information as is required in order for Lessor to deliver to Lessee at Lessor's sole cost and expense, an ALTA Leasehold Owners Policy.

IN WITNESS WHEREOF, this Lease is made and entered into in multiple original counterparts on the day and year first above written.

LESSOR:

MCL/ASD Limited Liability Company III, an Illinois limited liability company

By: Lincoln Park Development Associates, L.P., an Illinois limited partnership, a manager

By: Lincoln Park Development Associates, Inc., An Illinois corporation, its general partner

By: _____
Daniel E. McLean, President

By: RSD, L.P., a Delaware limited Partnership, a manager

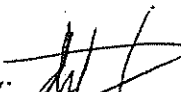
By: _____
Allison S. Davis,
Managing General partner

By: Old Town Mohawk CHA, LLC

By: _____
Karen MacAdam, Manager


LESSEE:

Chicago Housing Authority
an Illinois municipal corporation

By: 
Title: Deputy Executive Director

APPROVED:

UNITED STATES DEPARTMENT
OF HOUSING AND URBAN DEVELOPMENT

By: 

Its: _____

Debra A. Torres
Director
Illinois Office of Public Housing

EXHIBIT C

Form of Memorandum of Lease Agreement

STATE OF ILLINOIS

COUNTY OF COOK

MEMORANDUM OF LEASE AGREEMENT

THIS MEMORANDUM OF LEASE AGREEMENT is made and entered into as of the 30th day of July, 1998, by and between MCL/ASD Limited Liability Company III, an Illinois limited liability company (Lessor); and Chicago Housing Authority, a public body corporate and politic, organized and existing under the laws of the State of Illinois (Lessee).

WITNESSETH:

WHEREAS, the concept of the public welfare is broad and inclusive, and it is in the best interests of the public and the City of Chicago, Illinois that new opportunities for urban redevelopment be developed so as to facilitate the construction and operation of decent, safe, and sanitary buildings for urban residential usage;

WHEREAS, Lessee and the United States Department of Housing and Urban Development ("HUD") have determined that traditional public housing projects, segregated from housing available to those of other income levels and confined solely to the housing of public tenants, often have produced living conditions inconsistent with the public purposes for which they were built;

WHEREAS, the public may be served through innovative combinations of the resources of local government and private enterprise;

WHEREAS, simultaneously herewith, Lessor and Lessee have entered into that certain Lease Agreement (the "Lease"), pursuant to which Lessor has leased, demised and let to Lessee those certain tracts and parcels of real property lying being in the City of Chicago, Cook County, Illinois (and which real property is more particularly described on Exhibit A attached hereto and made a part hereof), together with the improvements, rights, easements, licenses, privileges and appurtenances thereunto attached or in any way belonging thereto; and

WHEREAS, the parties hereto desire to enter into this Memorandum of Lease in order to provide public record notice of the Lease and certain provisions, rights and obligations pertaining to the Leased Premises.

NOW, THEREFORE, for and in consideration of the foregoing premises, the sum of Ten and No/100 Dollars (\$10.00), the covenants, representations, warranties and agreements set forth in the Lease, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

1. **Capitalized Terms.** All capitalized terms used and not otherwise defined herein are used herein with the same meaning ascribed to such term(s) in the Lease.
2. **Term of Lease.** The term of the Lease is for a period of forty (40) years, commencing on August 15, 1998 ("Commencement Date").
3. **Restrictions Applicable to Public Housing Unit.** Section 3.3 of the Lease contains the following restrictions regarding the use of the Public Housing Units:

"Section 3.3 Restrictions Applicable to Use of Leased Premises as Public Housing Units.

(a) During the Term, Lessee will continuously use the residential units comprising the Leased Premises as Public Housing Units, for occupancy by Public Housing Eligible Households at rents and subject to all other conditions of the Act, the Annual Contributions Contract, the Memorandum of Lease Agreement set forth as Exhibit C and the documents evidencing the CMHDC Loan; it being understood that in the event of a conflict among the foregoing, the Annual Contributions Contract shall govern and control. Lessor hereby acknowledges and agrees that the Leased Premises shall be subleased by Lessee to Public Housing Eligible Households. Provided that the Lessee continues operating the Leased Premises as Public Housing Units to Public Housing Eligible Households in accordance with the Act, the Annual Contributions Contract and in accordance with the terms of this Lease, such Public Housing Units shall be eligible to receive the benefit of operating subsidies provided to the Lessee by HUD pursuant to Section 9 of the Act and for purposes of subsequent legislation, it is intended that the Leased Premises shall be considered public housing. Consistent with the requirements currently applicable to public housing, a unit shall not lose its status as a Public Housing Unit solely because the income of the Tenant residing therein rises above the applicable public housing income limit; any such unit shall be governed by rules generally applicable to units occupied by over-income tenants in applicable public housing programs (subject to such modifications in lease and occupancy terms as are permitted hereunder).

(b) During the Term, Lessor hereby agrees to perform Lessee's obligations to operate and administer the Leased Premises as Public Housing Units (i) in compliance with all applicable requirements of the Act, HUD regulations thereunder, and the regulations and policies of Lessee; and (ii) in accordance with the Annual Contributions Contract. In connection therewith, Lessor will retain a Manager pursuant to a Management Agreement. The Manager will be responsible to Lessor for management of the Leased Premises in accordance with the terms of this Lease. The Management Agreement will contain appropriate provisions providing access by the Lessee,

upon request therefor, to books and records maintained by the Manager with respect to the Leased Premises, and pursuant to which the Lessor may be required to terminate the Management Agreement and the appointment of the Manager thereunder, if the Manager has violated, breached, or failed to comply with any provision of, or obligation under, this Lease. Lessee agrees that the initial Manager retained by Lessor shall be William Moorehead & Associates. The Management Agreement shall require the Manager to perform all management functions that Lessee would typically require of a private manager of its properties, including, without limitation, conducting home visits for potential applicants, performing housing quality standards inspections of units, collecting rent from Tenants and remitting such rent to Lessee evicting residents, maintaining resident files, and maintaining books and records for the operation of the Leased Premises all in accordance with HUD and Lessee regulations and policies. Lessor shall perform or cause the Manager to perform all necessary or desirable interior maintenance to the Leased Premises, including, without limitation, vacant unit preparation for new occupants. Lessee shall perform certain administrative functions in connection with admission of applicants to occupancy of the Leased Premises, including application intake, applicant interview and screening, verification procedures, determination of eligibility for admission and qualification for preference, waiting list maintenance and execution of leases, all in accordance with criteria and procedures established by the Lessee. Tenant selection shall be conducted in accordance with written objective criteria attached hereto as Exhibit D. Such criteria shall (i) be subject to fair housing law standards, HUD requirements, the Annual Contributions Contract and any applicable law, rule or regulation; and (ii) not have the effect of precluding Public Housing Eligible Households from occupying the Leased Premises.

(c) Not later than October 1, 1998 (for the year in which the Commencement Date occurs) and not later than 120 days before the first day of any subsequent Authority Fiscal Year, Lessor shall submit to Lessee its proposed operating budget for the following Authority Fiscal Year (or, in the case of the year in which the Commencement Date occurs, the remainder thereof). The operating budget shall project Estimated Allowed Development Expenses and Estimated Authority Unit Expenses, subject to the following conditions:

(i) Estimated Allowed Development Expenses shall be as reasonably estimated by the Lessor. Lessee may comment upon and propose changes to the Estimated Allowed Development Expenses set forth in the operating budget submitted by the Lessor, but the Lessor shall not be required to reduce any estimated expense below the Condominium Project-wide amount for such expenditure reasonably anticipated by the Lessor for the period.

(ii) During each Authority Fiscal Year commencing with the Authority Fiscal Year in which the Commencement Date occurs, and subject to any limitations arising from application of Section 2(e) of the Act, Lessee shall pay to Lessor Estimated Authority Unit Expenses for such period. Lessee shall pay to Lessor, on the first day of each month of an Authority Fiscal Year, one-twelfth (1/12) of the Estimated Authority Unit Expenses for such Authority Fiscal Year. Notwithstanding anything to the

contrary contained herein, in no event shall Lessee be obligated to pay to Lessor any amounts in excess of the Operating Expense Allowance stipulated in Section 4.2.

(d) Not later than 60 days after the end of each quarterly period commencing with the calendar quarter in which first occupancy of the Leased Premises occurs, Lessor shall deliver to the Lessee with respect to the Leased Premises, itemized statements of income and expenses, prepared on an accrual basis, in form substantially comparable to Form HUD-92410 (Statement of Profit and Loss), certified by the chief financial officer of the Lessor for the quarterly period and from the beginning of the Lease Year to the end of such quarterly period. Not later than 120 days after the end of each Lease Year, Lessor shall deliver to the Lessee and, on behalf of the Lessee, to HUD a copy of the audited financial statements of Lessor for such year and the period then ended, prepared in accordance with generally accepted accounting principles and accompanied by the report of independent public accountants thereon, together with a copy of any additional financial statements or reports delivered by Lessor to its partners. Such financial statement shall be accompanied by supplemental data, together with the report of independent public accountants thereon, which shall show on a cash basis for such period (i) actual income from the Leased Premises, (ii) actual expenditures for Authority Unit Expenses, (iii) the amount of Rent received by Lessor, and (iv) aggregate stated lease rents and the amounts thereof uncollected from the Leased Premises for which no eviction actions have been commenced. If Lessor shall fail to deliver such financial statements to the Lessee, Lessee shall have the right to retain an independent auditor to conduct an audit of the financial statements of the Lessor and to charge the reasonable cost thereof to the Lessor.

(e) Subject to Subsection 3.3(c), nothing contained herein shall prevent or diminish the full application to the Public Housing Units of any legislation enacted after the date hereof which provides for the termination of operating subsidies under Section 9 of the Act or of other Federal project-based assistance to public housing developments, including, without limitation, any provision thereof releasing or otherwise modifying occupancy or tenant rent restrictions previously applicable to units such as the Public Housing Units. It is of the essence of Lessor's and Lessee's obligations under this Section 3.3 that, during the Term, Lessee and Lessor will maintain and operate the Leased Premises as Public Housing Units in accordance with all applicable requirements of the Act and the Annual Contributions Contract; provided, however, that if operating subsidies or other project based Federal assistance received by Lessee in respect of the Public Housing Units shall be less than the Operating Expense Allowance, Lessor shall not be required to contribute from its own funds any shortfall in such federal funding in order to preserve the character of the Leased Premises as Public Housing Units. In the event that legislative changes or diminished appropriations significantly reduce the amount of operating subsidy provided by HUD to Lessee under Section 9 of the Act as in effect on the date hereof, Lessee shall remain obligated to pay Rent (subject to the limitations set forth in Section 4.2 hereof) to Lessor as hereinafter provided and Lessor shall continue to maintain and operate the Public Housing Units as public housing; provided, however, that if the aggregate of tenant rental contributions payable by occupants of such units, plus all forms of public assistance made available in respect of such units (including, without limitation, other project-based or

tenant-based operating or rental assistance or other contributions by or on behalf of Lessor or Lessee or with respect to the Public Housing Units) are less than the Operating Expense Allowance, Lessor may take all further actions necessary to increase the income from the Public Housing Units, including, without limitation, increases in rental payments from tenants and operating a portion of the Public Housing Units as market-rate units, to the extent necessary so that income from the Public Housing Units in the aggregate (including from any such converted units), plus all such public assistance as aforesaid, shall be not less than (but not substantially more than) the Operating Expense Allowance; provided, however, (i) that any such actions must be consistent with the Act, as amended from time to time, and (ii) that this Section 3.3(e) shall not be deemed to create any additional remedies. If, subsequent to institution of remedial steps described above, Lessee shall reasonably demonstrate a capacity and commitment to provide assistance sufficient to support operation of the Leased Premises as Public Housing Units prior to such action, the obligation of Lessor to maintain such number of units as Public Housing Units in accordance with the terms hereof shall be reinstated, subject to continuing rights under law of existing Tenants. Notwithstanding anything herein to the contrary, Lessor acknowledges that the terms and conditions set forth in this Lease and in the Annual Contributions Contract shall not be deemed and assignment of public housing funds to Lessor.

4. **Lessor Mortgage.** Section 8.1 of the Lease contains the following restrictions on the mortgaging of Lessor's Estate in the Leased Premises:

Section 8.1 **Mortgage of Lessor's Estate.** Lessor agrees that it shall not encumber or convey any interest in Lessor's Estate with any deed to secure debt, mortgage, deed of trust or other instrument in the nature thereof as security for any debt, except to CMHDC as hereinafter provided.

(a) Concurrently herewith, CMHDC has provided a loan to Lessor in the amount of Three Hundred Eighty-Four Thousand and No/100 Dollars (\$384,000.00) (i.e., \$24,000.00 for each of the sixteen [16] residential units) (the "CMHDC Loan") to (i) pay for securing very low income housing for Public Housing Eligible Households within a mixed income development and (ii) pay for a portion of total development costs for the Leased Premises which are not included in the total development costs paid by Lessee pursuant to Section 4.1(b) hereof. The CMHDC Loan shall be for a term corresponding to the Term of this Lease.

(b) During any period in which the CMHDC Loan is in place, Lessor and Lessee shall give CMHDC a duplicate copy of all notices of default or other notices that Lessor or Lessee, as the case may be, may give to or serve in writing upon the other Party pursuant to the terms of this Lease. No notice by either Lessor or Lessee to the other Party shall be effective unless and until a copy of such notice has been provided to CMHDC. The address of CMHDC may be changed by written notice delivered to Lessor and Lessee in the manner specified in Section 17.11 hereof.

(c) CMHDC, at its option at any time within thirty (30) days following expiration of the right of Lessor or Lessee, as the case may be, to cure any default under this Lease, may pay any

amount or do any act or thing required of Lessor or Lessee, as the case may be, by the terms of this Lease. All payments made and all acts performed by CMHDC within such thirty (30) day period shall be effective to prevent a default by Lessor or Lessee, as the case may be, to the same extent as if they had been performed by Lessor or Lessee, as the case may be. CMHDC shall be subrogated to any and all rights of the person or persons to whom any payment is made by CMHDC upon the curing of such default.

(d) CMHDC shall not be or become liable to Lessor or Lessee hereunder unless it expressly assumes by written instrument such liability (in which event CMHDC's liability shall be limited to the period of time during which it is the owner of the leasehold estate created hereby) and no assumption shall be inferred from or result from foreclosure or other appropriate proceedings in the nature thereof or as the result of any other action or remedy provided for by the CMHDC Loan.

5. **Restrictions Transfer.** Sections 16.1 and 16.2 of the Lease contain the following restrictions on the transfer of Lessee's Estate in the Leased Premises and Lessor's Estate in the Leased Premises:

"Section 16.1 **Permitted Transfer by Lessor.**

(a) Except as provided in this Article 16, and subject to the approval of HUD and all statutory and regulatory requirements applicable to the transfer of the Public Housing Units and this leasehold, Lessor shall have no right to Transfer any legal or beneficial interest in Lessor's Estate or any interest of a managing member, general partner or controlling stockholder ("Controlling Interest") in Lessor or a Controlling Interest in any entity which has a Controlling Interest in Lessor without first obtaining (i) HUD's written approval, (ii) Lessee's written consent, (iii) the transferee's assumption of the obligations of Lessor hereunder pursuant to an instrument reasonably acceptable to HUD and Lessee, and (iv) the City's consent to such transfer. Notwithstanding the foregoing, HUD and Lessee acknowledge that they will not unreasonably withhold, delay or condition a request by Lessor for HUD's and Lessee's consent to an internal reorganization of the corporate or partnership (or limited liability company, if applicable) structure of Lessor or any of the general partners of Lessor.

(b) Upon the granting of any consent by Lessee with respect to a Transfer by Lessor, this Lease shall be binding upon and shall inure to the benefit of Lessor and Lessee and their respective heirs, successors, assigns, legal representatives, Tenants and other transferees, and, upon assumption by the assignee of all of the rights and obligations of the assignor under this Lease, the assignor shall be released from any liability hereunder accruing from and after the date of such Transfer. Upon request of the assignor, Lessee shall execute and deliver to the assignor a release agreement in a form reasonably acceptable to Lessee and the assignor to evidence such release.

Section 16.2 Transfer by Lessee.

(a) Except for subleasing units comprising the Leased Premises to Public Housing Eligible Households, Lessee shall not Transfer all or any portion of its interest in Lessee's Estate, if the same would cause a violation or breach of (i) any Legal Requirement, or (ii) the provisions of Subsection 16.2(b) below. Notwithstanding anything contained herein, Lessor hereby acknowledges and agrees that HUD or any receiver or appointee named by HUD or at HUD's request, shall have the right, in accordance with its rights under the Annual Contributions Contract, to take over by transfer or otherwise the Lessee's interest under this Lease.

(b) Lessee acknowledges and covenants that it shall not Transfer Lessee's Estate during the period when the Public Housing Units are required to be maintained and operated as such. The foregoing covenant shall be deemed to be a covenant running with the land made for the benefit of HUD and shall be enforceable by it during the Term.

6. Residual Interest of Lessee. Sections 15.1 and 15.2 of the Lease provide for Lessee to receive a payment equal to a portion of the fair market value of the Leased Premises and secures that payment as follows:

Section 15.1 Lessee's Residual Payment. Upon the expiration of the Term and as a condition for such termination, Lessor and Lessee shall jointly determine the fair market value of the Leased Premises as "for sale" housing. Upon making such determination, Lessor shall pay (i) to CMHDC all principal, interest and other charges due and owing pursuant to the CMHDC Loan and (ii) to Lessee an amount equal to twenty five percent (25%) ("Lessee's Residual Payment") of the balance remaining of said fair market value after the payment specified in subparagraph (i) above). In the event Lessor and Lessee are not able to agree upon said fair market value of the Leased Premises within thirty (30) days following the expiration of the Term, each Party shall select an Appraiser. Each Appraiser shall separately determine said fair market value of the Leased Premises. If the fair market value appraisals by the Appraisers shall be within ten (10%) percent of each other, the fair market value shall be the average of the two appraisals. If the fair market value appraisals shall not be within ten percent (10%) of each other, the two Appraisers shall then select a third Appraiser, who shall independently determine the fair market value of the Leased Premises as "for-sale" market rate housing and the average of all three appraisals shall be the fair market value of the Leased Premises. Until Lessee received Lessee's Residual Payment, this Lease shall remain in full force and effect.

Section 15.2 Mortgage and Security Interest for Purposes of Securing Lessee's Residual Payment. Lessor does hereby grant and convey to Lessee, its successors and assigns, a lien in and to the Leased Premises to secure Lessor's payment to Lessee of Lessee's Residual Payment. In connection therewith:

(a) In the event that Lessor shall fail to pay to Lessee the Lessee's Residual Payment when due, Lessee shall thereupon be entitled to bring an action at law or in equity against Lessor including, without limitation, an action (i) to foreclose a lien against the Leased Premises, (ii) for damages, injunctive relief or specific performance, (iii) for judgment or for the payment of money and the collection thereof (iv) for any combination of the remedies set forth herein, or (v) for any other relief which Lessee may deem necessary or appropriate. Any and all rights and remedies provided for herein or in law or in equity may be exercised at any time and from time to time cumulatively or otherwise be Lessee in its sole discretion. The failure of Lessee to exercise any such rights or remedies to enforce the provisions of this Lease shall in no event be deemed a waiver of the right to do so thereafter.

(b) To the extent permitted by law, in any case in which Lessee has a right to institute foreclosure proceedings, whether before or after the institution of such proceedings or before or after sale thereunder, Lessor shall, at the option of Lessee, surrender to Lessee and Lessee shall be entitled to take actual possession of all or any portion of the Leased Premises personally or by its agents or attorneys and Lessee, in its sole discretion may enter upon, take and maintain possession of all or any portion of the Leased Premises. Upon taking possession of the Leased Premises, Lessee may make all necessary or proper repairs, decorations, renewals, replacements, alterations, additions, betterments and improvements in connection with the Leased Premises as it may deem judicious to ensure, protect and maintain the Leased Premises against all risks incidental to Lessee's possession, operation and management thereof, and may receive all rents, issues and profits therefrom. Lessee shall have, in addition to any other power provided herein, all powers and duties as provided for in Sections 5/15-1701, 5/15-1702 and 5/15-1703 of the Illinois Mortgage Foreclosure Law.

(c) The Leased Premises or any interest or estate therein sold pursuant to any court order or a decree obtained under this Lease shall be sold in one parcel, as an entirety, or in such parcels and in such manner or order as Lessee, in its sole discretion may elect, to the maximum extent provided by Illinois law. At such sale, Lessee may bid for and acquire, as purchaser, all or any portion of the Leased Premises and, in lieu of paying cash therefor, may make settlement for the purchase price by crediting upon the indebtedness due the amount of Lessee's bid. Upon or at any time after the filing of any complaint to foreclose the lien of this Lease, the court may, upon application, appoint a receiver of the Leased Premises.

(d) Proceeds of any foreclosure sale of the Leased Premises shall be distributed and applied in the following order of priority: (i) on account of all costs and expenses incident to the foreclosure proceedings, (ii) to payment of Lessee's Residual Interest and all costs and expenses referred to in subsection 15.2(e) hereof, and (iii) any surplus or remaining funds to Lessor, its successors or assigns, as their rights may appear.

(e) Provided that Lessee shall prevail in such litigation, all expenses incurred by Lessee in connection with any actions, proceedings or self-help in connection with the exercise of its rights and remedies hereunder, including without limitation, court costs, reasonable attorneys' fees and

all other fees and expenses and all damages, together with interest until paid on Lessee's Residual Payment and on such expenses at the Delinquency Rate, shall be charged to and assessed against Lessor, and shall be added to and deemed part of Lessee's Residual Payment and Lessee shall have a lien for all of said costs and interest upon the Leased Premises.

7. **Conflicts with Lease.** This Memorandum of Lease is solely for notice and recording purposes and shall not be construed to alter, modify, expand, diminish or supplement any of the provisions of the Lease. In the event of any inconsistencies between the provisions of this Memorandum of Lease and the provisions of the Lease, the provisions of the Lease shall govern.

8. **General.** This Memorandum of Lease (a) shall be governed by and construed in accordance with the laws of the State of Illinois; (b) may be executed in multiple counterparts, each of which shall constitute an original; (c) shall be binding upon and inure to the benefit of the parties hereto, their respective heirs, successors and assigns; and (d) may not be modified, amended or altered, except by in writing and signed by the parties hereto.

IN WITNESS WHEREOF, the parties hereto have caused this Memorandum of Lease to be made, executed and delivered as of the day and year first above written.

LESSOR:

MCL/ASD Limited Liability Company III, an Illinois limited liability company

By: Lincoln Park Development Associates, L.P., an Illinois limited partnership, a manager

By: Lincoln Park Development Associates, Inc., an Illinois corporation, its general partner

By: _____
Daniel E. McLean, President

By: RSD, L.P., a Delaware limited partnership, a manager

By: _____
Allison S. Davis,
Managing General Partner

By: Old Town Mohawk CHA, LLC

By: _____
Karen MacAdam

APPROVED:

UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

By: _____
Its: _____

LESSEE:

Chicago Housing Authority, an Illinois municipal corporation

By: _____
Title: _____