

PERFORMANCE SECURITY AGREEMENT

This PERFORMANCE SECURITY AGREEMENT dated as of October 1, 2004 (this "Agreement"), by and between the County of Lake, Illinois, a political subdivision duly organized and validly existing under the Constitution and the laws of the State of Illinois (the "Issuer"), and Rosewood Apartments Limited Partnership, a limited partnership duly organized and validly existing under the laws of the State of Illinois (the "Borrower"),

WITNESSETH:

WHEREAS, the Borrower will be the record owner of land, buildings and related improvements and furnishings, equipment and related property to be acquired, rehabilitated and installed, and to be located in the Village of Round Lake in Lake County, Illinois, comprising 168 units of housing for residential rental purposes (such land, buildings, improvements, furnishings, equipment and related property being collectively referred to herein as the "Project"); and

WHEREAS, the acquisition, rehabilitation and installation of the Project will be financed in part from the proceeds of the sale of the Variable Rate Demand Multifamily Housing Revenue Bonds, Series 2004 (Rosewood Apartments Project) of the Issuer in the aggregate principal amount of \$8,800,000 (the "Bonds"), issued by the Issuer under that certain Trust Indenture dated as of October 1, 2004, by and between the Issuer and J.P. Morgan Trust Company, National Association (the "Indenture");

NOW, THEREFORE, in consideration of the mutual promises and covenants hereinafter set forth, and of other valuable consideration, the Issuer and the Borrower hereby agree as follows:

1. Incorporation by Reference. The Recitals to the Indenture are incorporated into and made a part of this Agreement. All capitalized terms used in this Agreement have the meanings given to those terms in the Indenture or elsewhere in this Agreement unless the context or use clearly indicates a different meaning. The rules of construction set forth in Section 1.01 of the Indenture shall apply to this Agreement in their entirety, except that in applying such rules, the term "Agreement" shall be substituted for the term "Indenture."

2. Cash Deposit. As security to the Issuer for the performance by the Borrower of the Borrower's obligations under the Financing Agreement related to the Unassigned Rights, the Borrower shall, as a condition precedent to the issuance of the Bonds, deposit in escrow with the County Administrator cash (the "Cash Deposit") in a total amount equal to \$25,000. The Cash Deposit shall, at all times until released as provided below, be maintained at \$25,000 except as otherwise provided below with respect to investment losses. The Cash Deposit shall be maintained and replenished, as necessary, by the Borrower, and shall be held in escrow by the Issuer, until payment in full or retirement of the Bonds. Upon such payment or retirement, the Issuer shall release any amounts remaining in the Cash Deposit.

3. Interest. The Cash Deposit shall be invested jointly with other funds of the County (the "Invested Monies"), with interest to be allocated monthly to the Cash Deposit based

upon that proportion of the interest earned by the County on the Invested Monies that the balance of the Cash Deposit as of the allocation date bears to the total amount of the Invested Monies as of the same allocation date. Interest shall accrue for the use and benefit of the County until released to the Borrower upon request. Requests for release of interest shall be made in writing no more frequently than semi-annually. The County shall not be liable for any loss suffered in connection with any investment of the Cash Deposit if invested in accordance with the Public Funds Investment Act, 30 ILCS 235/0.01 *et seq.* The Borrower shall not be obligated to replenish the Cash Deposit as a result of losses suffered in connection with the investment of the Cash Deposit.

4. Use of Funds. If the Borrower fails or refuses to fulfill any of the obligations for which the Cash Deposit is security, as stated in Section 2 above, then the Issuer shall have the right to take any action it deems reasonable and appropriate to mitigate the effects of such failure or refusal and to reimburse itself from the proceeds of the Cash Deposit for all of its costs and expenses, including legal fees and administrative expenses, resulting from or incurred as a result of the Borrower's failure or refusal to fully meet its obligations under the Financing Agreement related to the Unassigned Rights, and shall furnish written notice thereof to the Borrower. Upon notice of any draw on the Cash Deposit by the County, the Borrower (within five (5) business days) shall deposit with the Issuer such additional funds as may be necessary to replenish the Cash Deposit to its original amount. Failure to so replenish the amount of the Cash Deposit shall be grounds for the County to draw on and retain all or any part of the Cash Deposit to continue to reimburse itself for costs and expenses authorized under this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed and sealed by their respective, duly authorized representatives, as of the day and year first above written.

THE COUNTY OF LAKE, ILLINOIS

By: 

Title: County Board Chair

ROSEWOOD APARTMENTS LIMITED
PARTNERSHIP, an Illinois limited
partnership

By: Rosewood GP, LLC, an Illinois
limited liability partnership, its sole
general partner

By: Banner Apartments, LLC, a
Delaware limited liability company,
its sole member

By: _____

Name: Milton Pinsky, President

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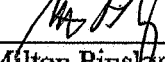
THE COUNTY OF LAKE, ILLINOIS

By: 
Title: County Board Chair

ROSEWOOD APARTMENTS LIMITED
PARTNERSHIP, an Illinois limited
partnership

By: Rosewood GP, LLC, an Illinois
limited liability partnership, its sole
general partner

By: Banner Apartments, LLC, a
Delaware limited liability company,
its sole member

By: 
Name: Milton Pinsky, President

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