NOTICE OF INTENT TO TERMINATE SUBSIDY

Name of Property: The Lakes at Fountain Square *fka Lakehurst West Apartments*

Address of Each Building Included in Property: 500-591 Lakehurst Road Waukegan, Illinois, 60085

Owner: Waterton Lakehurst I, L.L.C.

Property Description: Apartment Complex

Number of Occupied Units: 350

Anticipated Date of Action: June 9, 2006

Affordability Restriction(s): The Property is subject to a Housing Assistance Payment ("**HAP**") agreement with the Department of Housing and Urban Development. [Twenty percent] of the residential units are subject to the HAP Agreement, pursuant to which rental subsidy is made available to the Owner and the rent that can be charged to the tenants in the HAP-assisted units is limited. The HAP Contract expires on June 9, 2006.

Owner/Contact Information: Melissa Fezy
Leasing Office
500 Lakehurst Road
Waukegan, IL 60085
Phone: (847) 689-4464

THIS IS NOT AN EVICTION NOTICE. It is a notice to advise all Tenants in the property identified above that one of the following actions with respect to the property will take place on the date referenced above:

(i) the sale or other disposition of the property;
(ii) the prepayment or refinancing of a federally insured or federally held mortgage secured by the property;
(iii) the termination of the property's participation in a federal subsidy program for assisted housing.

One or all of these actions may have the effect of terminating the affordability restrictions noted above.

The notice is to advise you that the Federally Assisted Housing Preservation Act [310 ILCS 60/1] gives you certain rights. Tenants living on the property may form a tenants association and negotiate with the owner to purchase the property at fair market value, based on the property's highest and best use, without the affordability restrictions. Tenants may also enter into an agreement with a not-for-profit corporation or other entity to represent them in negotiations with the owner. If the negotiations are successful, the tenants association can buy the property. A more detailed discussion of the provisions of the law is attached to this notice as Exhibit A.

If you have any questions with regard to this notice, please contact Melissa Fezy at (847) 689-4464.

Dated: June 9, 2005

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