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EXECUTION COPY

WHEN RECORDED MAIL TO
Arent Fox PLLC
1675 Broadway
New York, New York 10019
Attention: David L. Dubrow, Esq.

SPACE ABOVE THIS LINE FOR RECORDER'S USE

MULTIFAMILY THIRD MORTGAGE, ASSIGNMENT OF RENTS AND SECURITY AGREEMENT

THIS THIRD MORTGAGE, ASSIGNMENT OF RENTS AND SECURITY AGREEMENT (herein, "Instrument") is made as of the 20th day of June, 2005, between the Mortgagor/Grantor, COLONIAL REALTY LIMITED PARTNERSHIP, a limited partnership organized and existing under the laws of Delaware, whose address is 2101 6th Avenue North, Suite 750, Birmingham, Alabama 35202-1687 (together with its permitted successors and assigns "Borrower"), and WACHOVIA MULTIFAMILY CAPITAL, INC., having an address at 7255 Woodmont Avenue, Suite 200, Bethesda, MD 20814 ("Lender").

WHEREAS, Borrower and Lender have entered into that certain Master Credit Facility Agreement dated as of the date hereof (together with all renewals, extensions, amendments and modifications thereto, the "Master Agreement") pursuant to which Lender has agreed to make Advances to the Borrower; and

NOW THEREFORE, TO SECURE TO LENDER (a) the repayment of the Indebtedness evidenced by the Variable Facility Note payable to Lender dated June 20, 2005, in the initial principal amount of $27,255,000, including without limitation any Future Advances (as defined in the Master Agreement) and evidenced by each other Note delivered from time to time pursuant to the Master Agreement; (b) payment and performance by the Borrower of each and every obligation, covenant and agreement of the Borrower contained in the Master Agreement; (c) the payment of all other sums, with interest thereon, advanced in accordance herewith to protect the security of this Instrument; (d) the performance of the covenants and agreements of Borrower contained in this Instrument; (e) the payments of any and all other sums due under this Instrument; (f) payment and performance of all obligations under or secured by each of the other mortgages, deeds to secure debt and/or deeds of trust identified in the Master Agreement as the "Security Instruments"; and (g) payment and performance by Borrower of all obligations to Lender or Fannie Mae under the other Loan Documents (collectively, the "Secured Obligations"), Borrower does hereby grant, convey and assign to Lender and Lender's successors and assigns, with power of sale, the following described property located at 3100 Heatherbrooke Road, Birmingham, Alabama 35242, and commonly referred to as the Colonial Grand at Inverness,

> as more particularly described on Exhibit A attached hereto and by this reference incorporated herein.

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Each of the other Security Instruments is hereinafter referred to individually as an "Other Security Instrument," and collectively as the "Other Security Instruments." The Other Security Instruments existing as of the date of this Instrument are identified on Schedule 1 of this Instrument attached hereto.

The Secured Obligations are currently scheduled to mature on June 20, 2015.

The attached Rider to Third Multifamily Instrument (the "Rider") and Special Rider to Third Multifamily Instrument (the "Special Rider"), each dated as of the date hereof, are incorporated into and are deemed to amend and supplement this Instrument, and references herein to this "Instrument" shall mean this Instrument, as modified and supplemented by the Rider and the Special Rider. In the event of any inconsistency between this Instrument and the provisions of the Rider or Special Rider, the provisions of the Rider or Special Rider, as the case may be, shall control. In the event of any inconsistency between the provisions of the Rider and the Special Rider, the provisions of the Special Rider shall control. All capitalized terms not otherwise defined herein or in the Rider or Special Rider shall have the meanings ascribed to such terms in the Master Agreement, the Rider and the Special Rider, as the case may be.

TO HAVE AND TO HOLD such property unto Lender and Lender's successors and assigns, forever, together with all buildings, improvements, and tenements now or hereafter erected on the property, and all heretofore or hereafter vacated alleys and streets abutting the property, and all easements, rights, appurtenances, rents, royalties, mineral, oil and gas rights and profits, water, water rights, and water stock appurtenant to the property, and all of Borrower's estate, right, title and interest, if any, in and to any fixtures, machinery, equipment, engines, boilers, incinerators, building materials, appliances and goods of every nature whatsoever now or hereafter located in, or on, or used, or intended to be used in connection with such property, including, but not limited to, those for the purposes of supplying or distributing heating, cooling, electricity, gas, water, air and light; and all elevators, and related machinery and equipment, fire prevention and extinguishing apparatus, security and access control apparatus, plumbing, bath tubs, water heaters, water closets, sinks, ranges, stoves, refrigerators, dishwashers, disposals, washers, dryers, awnings, storm windows, storm doors, screens, blinds, shades, curtains and curtain rods, mirrors, cabinets, panelling, rugs, attached floor coverings, furniture, pictures, antennas, trees and plants, and privileges, franchises, tenements, hereditaments and appurtenances and all of the estate, right, title, interest, claim and demand whatsoever of Borrower therein or thereto, either at law or in equity, in possession or in expectancy, now or hereafter acquired; all ditches, wells, reservoirs and drains and all water, ditch, well, reservoir and drainage rights which are appurtenant to, located on, under or above or used in connection with the Property or the improvements, or any part thereof; all crops, timber, shrubs, flowers and landscaping features; and any interest that Borrower may have in any leased furniture, accounts, general intangibles, inventory; and all refunds of taxes, all unearned premiums, accrued, accruing or to accrue under any and all insurance policies now or hereafter obtained by Borrower and all proceeds of the conversion, voluntary or involuntary, of the Property (as such term is hereinafter defined) and/or any other property or rights encumbered or conveyed hereby, or any part thereof, into cash or liquidated claims, including, without limitation, proceeds of hazard and title insurance and all awards, payments and compensation, including interest thereon, and the right to receive the same,

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hereafter made in respect of the Property and/or any other property or rights encumbered or conveyed hereby by any governmental authority or other lawful authority for the taking by eminent domain, condemnation or otherwise (including any transfer made in lieu of the exercise of the right of eminent domain or condemnation), of all or any part of the Property and/or any other property or rights encumbered or conveyed hereby or for any other injury to or decrease in the value of the Property and/or any other property or rights encumbered or conveyed hereby or any easement benefitting the foregoing, including, but not limited to, awards for any change of grade of streets; all cash funds, deposit accounts and other rights and evidence of rights to cash, now or hereafter created or held by Lender pursuant to this Instrument or the other Loan Documents, including, without limitation, all funds now or hereafter on deposit with respect to the agreements listed in paragraph 2B of the Rider to the Instrument; and all leases, subleases, lettings, licenses, concessions, occupancy agreements or other agreements pertaining thereto affecting the use or occupancy of the Property now or hereafter entered into and, all right, title and interest of Borrower thereunder, including, without limitation, cash, securities and prepaid installments of rent deposited thereunder, the right to receive, collect and apply the revenues, earnings, rents, issues, income and profits payable thereunder and the right to enforce, at law or in equity, all provisions, covenants and agreements thereof; and all Funds (as such term is defined in Section 2(a) hereof); and all of Borrower's estate, right, title and interest, if any, in and to any and all operating contracts, concessionaire agreements, franchise agreements, licenses, permits, management agreements, zoning, land use, air rights and development agreements, service contracts, supply and maintenance contracts, equipment leases, personal property leases, documents relating to the construction of any improvements on the Property (including any and all construction contracts, architectural contracts, engineering contracts, asbestos removal contracts, plans, specifications, drawings, surveys, bonds and governmental approvals), warranties, guaranties and all other agreements now or hereafter affecting the Property, or any part thereof, and/or used in connection with the operation or management thereof and all contract rights of Borrower thereunder, together with all of the rights, reversions and/or equities now or hereafter appurtenant thereto, provided that this assignment shall not be construed as a consent by Lender to any one or more of such contracts; all present and future monetary deposits given to any public or private utility with respect to utility services furnished to any part to the Property or the improvements; all present and future funds, accounts, instruments, accounts receivable, documents, causes of action, claims, general intangibles, and all contract rights, trade names, trademarks, service marks, symbols, logos and goodwill related thereto that in any way now or belong, relate, pertain or are used in connection with any part of the Property (as defined below) or the improvements, all names by which the Property or the improvements may be operated or known, all rights to carry on business under such names, and all books and records relating to the business operated on the Property or any part thereof and, and all rights, interest and privileges which Borrower has or may have as developer or declarant under any covenants, restrictions or declarations now or hereafter relating to the Property or the improvements, and all notes or chattel paper now or hereafter arising from or by virtue of any transactions related to the Property or the improvements; all water taps, sewer taps, certificates of occupancy, permits, licenses, franchises, certificates, consents, approvals and other rights and privileges now or hereafter obtained in connection with the Property or the improvements and all present and future warranties and guaranties relating to the improvements or to any equipment, fixtures, furniture, furnishings, personal property or

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components of any of the foregoing now or hereafter located or installed on the Property or the improvements; all building materials, supplies and equipment now or hereafter placed on the Property or in the improvements and all architectural renderings, models, drawings, plans, specifications, studies and data now or hereafter relating to the Property or the improvements; and all extensions, improvements, betterments, renewals, substitutions and replacements of and all additions and appurtenances to the Property and/or any other property or rights encumbered or conveyed hereby or hereafter acquired by or released to Borrower or constructed, assembled or placed by Borrower on the Property and all conversions of the security constituted thereby that, immediately upon such acquisition, release, construction, assembling, placement or conversion, as the case may be, and in each such case without any further mortgage, conveyance, assignment or other act by Borrower, shall become subject to the lien of this Instrument as fully and completely, and with the same effect, as though now owned by Borrower and specifically described herein; all of which shall be deemed to be and remain a part of the real property covered by this Instrument; and all other or greater rights and interests of every nature in the Property or the improvements and in the possession or use thereof and income therefrom, whether now owned or hereafter acquired by Borrower; and all of the foregoing, together with said property are herein referred to as the "Property"; EXCLUDING, HOWEVER, the right, title and interest of the Borrower in the "Colonial" tradename and the goodwill related thereto and excluding further any security deposits held under any leases, and SUBJECT, HOWEVER, to the prior lien of the Mortgages (as such term is defined in the Master Reimbursement Agreement dated as of June 1, 1996 (the "Master Reimbursement Agreement") between the Borrower and Fannie Mae.

Borrower warrants and covenants that Borrower is lawfully seized of the estate hereby conveyed and has the right to grant, convey and assign the Property, that the Property is unencumbered (except for any Permitted Title Liens, as defined below), and that Borrower shall warrant and defend generally the title to the Property against all claims and demands, subject to any easements and restrictions or other matters listed in a schedule of exceptions to coverage in any title insurance policy insuring Lender's interest in the Property, as set forth in Exhibit B attached hereto and by this reference incorporated herein (the "Permitted Title Liens").

Uniform Covenants. Borrower and Lender covenant and agree as follows:

1. PAYMENTS. Borrower shall promptly pay when due the principal of and interest on and other sums due under the Notes and all other amounts payable under the Master Agreement (subject to any applicable notice and/or cure periods expressly set forth therein), all amounts due and owing under or secured by the Other Security Instruments (subject to any applicable notice and/or cure periods expressly set forth therein) and all other sums secured by this Instrument.

2. FUNDS FOR TAXES, INSURANCE AND OTHER CHARGES.

(a) Subject to applicable law, to the provisions hereof or to a written waiver by Lender, Borrower shall pay to Lender on the first day of each calendar month (or on another day designated in writing by Lender), until the obligations of Borrower under the Notes and the Master Agreement or otherwise secured hereby are satisfied in full, a sum

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(herein, "Funds") equal to one-twelfth of (i) the yearly taxes and assessments and any other Federal, state and local governmental charges or impositions, general, special, ordinary or extraordinary (other than income or franchise tax imposed upon Borrower's income or profits) which may now or hereafter be levied, assessed or imposed on the Property or any portion thereof and for the non-payment of which a lien may be imposed on the Property and (ii) water and sewer fees or charges which may be levied on the Property and the yearly premium installments for fire and other hazard insurance, rent loss insurance and such other insurance covering the Property as Lender may require pursuant to paragraph 5 hereof. Except as provided herein, any waiver by Lender of the requirement that Borrower pay such Funds may be revoked by Lender, in Lender's sole discretion, at any time upon notice in writing to Borrower. Upon the occurrence of a Default or an Event of Default, Lender may require Borrower to pay to Lender, in advance, such other Funds for other taxes, charges or premiums, in connection with the Property which Lender shall reasonably deem necessary to protect Lender's interests (herein, "Other Impositions"). Unless otherwise provided by applicable law, Lender may require Funds for Other Impositions to be paid by Borrower in a lump sum or in periodic installments, at Lender's option. So long as no Default or Event of Default has occurred and is continuing hereunder, Lender hereby waives the obligation of the Borrower to pay to Lender the Funds for premiums for insurance and water and sewer charges pursuant to clause (ii) above, provided, however, that (i) with respect to insurance premiums, the Borrower shall pay such amounts directly to the payee thereof and send to the Lender invoices and paid receipts, or other documentation satisfactory to Lender, evidencing payment of insurance on the earlier of the date that such insurance is due and payable or thirty (30) days prior to the expiration date of the insurance policy and (ii) with respect to water and sewer charges, the Borrower shall pay such charges directly to the payee thereof and retain in its books and records paid receipts, or other documentation satisfactory to Lender, evidencing payment of such charges on the last day such charges are payable without penalty, premium, interest cost or late charges attaching and shall include such payments in its monthly and annual property income and expense data. The foregoing waiver hereunder shall, at the option of Lender, be revoked upon a Default or an Event of Default hereunder, and the Borrower's obligations under Section 2 hereof to deposit such funds shall be reinstated.

(b) The Funds shall be held in an interest bearing account in an institution(s) the deposits or accounts of which are insured or guaranteed by a Federal or state agency. Neither Lender nor any servicer shall have any obligation to obtain a specific return or yield on the Funds deposited and Borrower acknowledges that any interest paid on such Funds may not be at the highest rate available in the market place. Lender shall apply the Funds to pay said charges, rents, taxes, assessments, insurance premiums and Other Impositions so long as no Event of Default has occurred and is continuing under this Instrument. Lender shall make no charge for so holding and applying the Funds, analyzing said account or for verifying and compiling said assessments and bills, unless Lender pays Borrower interest, earnings or profits on the Funds and applicable law permits Lender to make such a charge. So long as no Default or Event of Default has occurred and is continuing under this Instrument the Borrower shall be paid annually all interest earned on the Funds deposited with the Lender pursuant to paragraph 2(a) hereof. Lender shall give to Borrower, without charge, an annual accounting of the Funds in Lender's normal format showing credits and debits to the Funds and the purpose for which each debit to the Funds was made. The Funds are pledged as additional security for the sums secured by this Instrument.

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(c) Subject to subsection (d) below, if the amount of the Funds held by Lender at the time of the annual accounting thereof shall exceed the amount required to provide for the payment of water and sewer charges, taxes, assessments, insurance premiums, rents and Other Impositions, as they fall due, such excess shall be credited to Borrower on the next monthly installment or installments of Funds due. If at any time the amount of the Funds held by Lender shall be less than the amount required to pay water and sewer rates, taxes, assessments, insurance premiums, rents and Other Impositions, as they fall due, Borrower shall pay to Lender any amount necessary to make up the deficiency within thirty days after notice from Lender to Borrower requesting payment thereof.

(d) Upon the occurrence and continuation of any Event of Default, Lender may apply, in any amount and in any order as Lender shall determine in Lender's sole discretion, any Funds held by Lender at the time of application (i), to pay any charges, rents, taxes, assessments, insurance premiums and Other Impositions which are now or will hereafter become due, or (ii) as a credit against sums secured by this Instrument. Notwithstanding the occurrence of an Event of Default, to the extent the Lender holds any insurance premiums, Lender shall apply such sums to the payment of insurance premiums. Upon payment in full of all sums secured by this Instrument, Lender shall promptly refund to Borrower any Funds held by Lender.

3. APPLICATION OF PAYMENTS. Unless applicable law provides otherwise, all payments received by Lender from Borrower under the Notes, this Instrument or the Master Agreement shall be applied by Lender in the following order of priority: (i) amounts payable to Lender by Borrower under paragraph 2 hereof; (ii) interest payable under the Notes; (iii) principal payable under the Notes; (iv) all other Secured Obligations and amounts payable under the Master Agreement, (v) interest payable on advances made pursuant to paragraph 8 hereof; (vi) principal of advances made pursuant to paragraph 8 hereof; and (vii) any other sums due under or secured by this Instrument in such order as Lender, at Lender's option, may determine; provided, however, that Lender may, at Lender's option, apply any sums payable pursuant to paragraph 8 hereof prior to interest and principal of the amounts payable under the Master Agreement, but such application shall not otherwise affect the order of priority of application specified in this paragraph 3.

4. CHARGES, LIENS. Borrower shall pay all water and sewer rates, rents, taxes, assessments, premiums, and Other Impositions attributable to the Property, at Lender's option, in the manner provided under paragraph 2 hereof or, if not paid in such manner, by Borrower making payment, when due, directly to the payee thereof in the manner provided herein, or, upon the occurrence and continuation of a Default (as hereinafter defined) or a "Potential Event of Default" under the Master Agreement, in such other manner as Lender may designate in writing. Borrower shall promptly furnish to Lender all notices of amounts due under this paragraph 4, and in the event Borrower shall make payment directly, Borrower shall promptly furnish to Lender receipts evidencing such payments in the manner provided herein. Borrower shall promptly pay, bond or discharge of record any lien which has, or may have, priority over or equality with, the lien of this Instrument, and Borrower forthwith shall do, at the sole cost and expense of Borrower, everything necessary to fully preserve the lien of this Instrument and priority hereof. Without Lender's prior written

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permission, Borrower shall not allow any lien inferior to this Instrument to be created or exist against the Property.

5. HAZARD INSURANCE.

(a) Borrower shall keep the improvements now existing or hereafter erected on the Property insured by carriers at all times satisfactory to Lender against loss by fire, hazards included within the term "extended coverage," rent loss and such other hazards, casualties, liabilities and contingencies as Lender shall require to satisfy the standards for insurance of the Fannie Mae Delegated Underwriting and Servicing Guide (in its present form and as the same may be amended, modified, supplemented or reissued from time to time, the "DUS Guide"), and in such amounts and for such periods as Lender shall require to satisfy the DUS Guide; provided, however, such amounts shall not be required to exceed the full replacement cost of such improvements. All premiums on insurance policies shall be paid, in the manner provided under paragraph 2 hereof, or by Borrower making payment, when due, directly to the carrier, or, upon the occurrence and continuation of a Default or an Event of Default, in such other manner as Lender may designate in writing.

(b) All insurance policies and renewals thereof shall be in a form acceptable to Lender to satisfy the requirements of the DUS Guide (subject to subsection (a) above) and shall include a standard mortgagee clause naming Lender as additional insured and loss payee in form acceptable to Lender. Borrower shall assign and deliver to Lender all such insurance policies (or certified copies of duplicate originals thereof); so that Lender and its successors and assigns shall at all times have and hold such policies as collateral and further security for obligations of Borrower secured hereby. Borrower shall not take out or permit any separate or additional insurance that is contributing in the event of loss unless it is endorsed in favor of Lender in accordance with the requirements hereof and otherwise satisfactory to Lender in all respects. Borrower shall promptly furnish to Lender all renewal notices and all receipts of paid premiums. At least thirty days prior to the expiration date of a policy, Borrower shall deliver to Lender a renewal policy (or a certified copy or duplicate original thereof) in form satisfactory to Lender.

(c) (i) In the event of loss, Borrower shall give immediate written notice to the insurance carrier and to Lender.

(ii) Borrower hereby authorizes and empowers Lender as attorney-in-fact for Borrower to make proof of loss, to adjust and compromise any claim under insurance policies, to appear in and prosecute any action arising from such insurance policies, to collect and receive insurance proceeds, and to deduct therefrom Lender's expenses incurred in the collection of such proceeds; provided, however, that nothing contained in this paragraph 5 shall require Lender to incur any expense or take any action hereunder. This power of attorney is coupled with an interest and therefore is irrevocable.

(iii) Borrower further authorizes Lender, at Lender's option, (A) to hold the balance of such proceeds to be used to reimburse Borrower for the cost of reconstruction or repair of the Property or (B) to apply the balance of such proceeds to the

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payment of the sums secured by this Instrument, whether or not then due, in the order of application set forth in paragraph 3 hereof.

(d) If the insurance proceeds are held by Lender to reimburse Borrower for the cost of restoration and repair of the Property, the Property shall be restored to the equivalent of its condition immediately prior to such event of loss or to such other condition as Lender may approve in writing, provided that upon completion of the restoration work the quality and class of the Property shall be substantially equal to the original quality and class of the Property. Lender may, at Lender's option, condition disbursement of said proceeds on Lender's approval of such plans and specifications of an architect satisfactory to Lender, contractor's cost estimates, architect's certificates, waivers of liens, sworn statements of mechanics and materialmen and such other evidence of costs, percentage completion of construction, application of payments, and satisfaction of liens as Lender may reasonably require. I f the insurance proceeds a re applied to the payment of the sums secured by this Instrument, any such application of proceeds to principal shall not extend or postpone the due dates of the monthly installments referred to in paragraphs 1 and 2 hereof or change the amounts of such installments, subject to the provisions of the Mortgage (as such term in defined in the Master Reimbursement Agreement) thereon and in and to the proceeds resulting from any damage to the Property prior to such sale or acquisition.

(e) The provisions of this Uniform Covenant 5 are supplemented by Section D of the Rider.

(f) If the Property is sold at a foreclosure sale or Lender acquires title to the Property, Lender shall automatically succeed to all rights of Borrower in and to any insurance policies and unearned insurance premiums and in and to the proceeds resulting from any damage to the Property prior to such sale or acquisition.

6. PRESERVATION AND MAINTENANCE OF PROPERTY.

(a) Borrower (i) shall not commit waste or permit impairment or deterioration of the Property, (ii) shall not abandon the Property, (iii) in the event of any damage, i njury or l oss t o t he P roperty, s hall restore o r r epair p romptly and i n a good a nd workmanlike manner all or any part of the Property to the equivalent of its condition immediately prior to such event of damage, injury or loss thereto, or such other condition as Lender may approve in writing, whether or not insurance proceeds are available to cover in whole or in part the costs of such restoration or repair but provided that Lender releases to Borrower any such insurance proceeds that are h eld by L ender, (iv) shall comply with the provisions o f S ection 7 .14 o f t he M aster R eimbursement A greement, a nd (v) s hall c omply with all applicable laws, ordinances, orders, rules or regulations of the United States, the State of Alabama, the County of Je fferson or any political subdivision of any of them, and any agency, department, commission, board, bureau or instrumentality of any of them that exercises or claims to have jurisdiction over the Property or any part thereof, including, without limitation, any Hazardous Materials Laws (as defined below), which would have a Material Adverse Effect or a Project Material Adverse Effect (as such terms are defined in the Master Reimbursement Agreement) (collectively, the "Requirements").

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(b) Borrower shall not, nor shall Borrower permit any tenant or other persons, to remove, demolish or alter any improvement now existing or hereafter erected on the Property or any fixture, equipment, machinery or appliance in or on the Property except when incident to the replacement of fixtures, equipment, machinery and appliances with items of like kind or utility.

7. USE OF PROPERTY.

(a) Unless required by applicable law or unless Lender has otherwise agreed in writing, Borrower shall not allow changes in the use for which all or any part of the Property was intended at the time this Instrument was executed.

(b) Borrower shall not initiate or acquiesce in a change in the zoning classification of the Property without Lender's prior written consent; provided, however, that Lender shall not unreasonably withhold its consent as long as the uses of the Property permitted under the zoning classification at all times permit use of the Property for multifamily residential rental units.

8. PROTECTION OF LENDER'S SECURITY.

(a) If Borrower fails to perform any of the covenants, obligations or agreements contained in this Instrument, or if any action or proceeding is commenced which adversely affects the Property or title thereto or the interest of Lender therein, including, but not limited to, eminent domain, insolvency, code enforcement, or arrangements or proceedings involving a bankrupt or decedent, or if an "Event of Default" (as such term is defined in the Master Agreement) occurs and is continuing under the Master Agreement, then Lender, at Lender's option, may make such appearances, disburse such sums and take such action as Lender deems necessary, in its sole discretion, to protect Lender's interest, including, but not limited to, (i) disbursement of attorneys' fees and costs, (ii) entry upon the Property to make repairs, and (iii) procurement of satisfactory insurance as provided in paragraph 5 hereof.

(b) Any amounts disbursed by Lender pursuant to this paragraph 8, with interest thereon, shall become additional indebtedness of Borrower secured by this Instrument. Unless Borrower and Lender agree to other terms of payment, such amounts shall be immediately due and payable and shall bear interest from the date of disbursement at the "Default Rate" (as such term is defined in the Note) unless collection from Borrower of interest at such rate would be contrary to applicable law, in which event such amounts shall bear interest at the highest rate which may be collected from Borrower under applicable law. Borrower hereby covenants and agrees that Lender shall be subrogated to the lien of any mortgage or other lien discharged, in whole or in part, by the indebtedness secured hereby. Nothing contained in this paragraph 8 shall require Lender to incur any expense or take any action hereunder.

9. INSPECTION. Subject to Section 7.08 of the Master Reimbursement Agreement, Lender may make or cause to be made reasonable entries upon and inspections of the Property.

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10. BOOKS AND RECORDS. Borrower shall keep and maintain at all times accurate books of accounts and records adequate to reflect correctly the results of the operation of the Property in accordance with the terms and provisions of Section 7.06 of the Master Reimbursement Agreement.

11. CONDEMNATION.

(a) Borrower shall promptly notify Lender of any action or proceeding relating to any condemnation or other taking, whether direct or indirect, of the Property, or part thereof, and Borrower shall appear in and prosecute any such action or proceeding unless otherwise permitted not to do so by Lender in writing. Borrower authorizes Lender, at Lender's option, as attorney-in-fact for Borrower, to commence, appear in and prosecute, in Lender's or Borrower's name, any action or proceeding relating to any condemnation or other taking of the Property, whether direct or indirect, and to settle or compromise any claim in connection with such condemnation or other taking. This power of attorney is coupled with an interest and therefore is irrevocable. However, nothing contained in this Section 11 shall require Lender to incur any expense or take any action. The proceeds of any award, payment or claim for damages, direct or consequential, in connection with any condemnation or other taking, whether direct or indirect, of the Property, or part thereof, or for conveyances in lieu of condemnation, are hereby assigned to and shall be paid to Lender.

(b) Borrower authorizes Lender to apply such awards, payments, proceeds or damages, after the deduction of Lender's expenses incurred in the collection of such amounts, at Lender's option, to restoration or repair of the Property or to payment of the sums secured by this Instrument, whether or not then due, in the order of application set forth in paragraph 3 hereof, with the balance, if any, to Borrower. Unless Borrower and Lender otherwise agree in writing, any application of proceeds to principal shall not extend or postpone the due date of the monthly installments and other payments referred to in paragraphs 1 and 2 hereof or change the amount of such installments, subject to the provisions of the Notes. Borrower agrees to execute such further evidence of assignment of any awards, proceeds, damages or claims arising in connection with such condemnation or taking as Lender may require.

12. BORROWER AND LIEN NOT RELEASED. From time to time, Lender may, at Lender's option, without giving notice to or obtaining the consent of Borrower, Borrower's successors or assigns or of any junior lienholder or guarantors, without liability on Lender's part and notwithstanding the occurrence and continuation of a Default or an Event of Default, extend the time for payment of said indebtedness or any part thereof, reduce the payments thereon, release anyone liable on any of said indebtedness, accept a renewal note or notes therefor, release from the lien of this Instrument any part of the Property, release other or additional security, reconvey any part of the Property, consent to any map or plan of the Property, consent to the granting of any easement, join in any extension or subordination agreement, and agree in writing with Borrower to modify the payment terms under the Notes or the Master Agreement or change the amounts payable thereunder. Any actions taken by Lender pursuant to the terms of this paragraph 12 shall not affect the obligation of Borrower or Borrower's successors or assigns to pay the sums secured by this Instrument and to observe the covenants of Borrower contained herein, shall not affect

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the guaranty of any person, corporation, partnership or other entity for payment of the indebtedness secured hereby, and shall not affect the lien or priority of lien hereof on the Property. Borrower shall pay Lender a reasonable service charge, together with such title insurance premiums and attorneys' fees as may be incurred at Lender's option, for any such action if taken at Borrower's request.

13. FORBEARANCE BY LENDER NOT A WAIVER. Any forbearance by Lender in exercising any right or remedy hereunder, or otherwise afforded by applicable law, shall not be a waiver of or preclude the exercise of any right or remedy. The acceptance by Lender of payment of any sum secured by this Instrument after the due date of such payment shall not be a waiver of Lender's right to either require prompt payment when due of all other sums so secured or to declare a default for failure to make prompt payment thereafter (unless Lender has taken action to exercise any of its remedies under this Instrument or any of the other Loan Documents in respect of such default, in which event Lender shall have the right to declare such a default notwithstanding its acceptance of any such payment and may exercise any of its other remedies in respect thereof). The procurement of insurance or the payment of taxes or other liens or charges by Lender shall not be a waiver of Lender's right to accelerate the maturity of the indebtedness secured by this Instrument, nor shall Lender's receipt of any awards, proceeds or damages under paragraphs 5 and 11 hereof operate to cure or waive Borrower's default in payment of sums secured by this Instrument.

14. ESTOPPEL CERTIFICATES. Borrower shall within 15 days of a written request from Lender furnish Lender with a written statement, duly acknowledged, setting forth the sums secured by this Instrument and confirming that no right of set-off, counterclaim or other defense exists against such sums and the obligations of Borrower under this Instrument. Lender shall within thirty days of a written request from Borrower furnish Borrower a written statement, duly acknowledged, confirming the sums secured by this Instrument and stating, to its actual knowledge, without duty to inquire, whether Borrower is in default under this Instrument.

15. UNIFORM COMMERCIAL CODE SECURITY AGREEMENT. This Instrument is intended to be a security agreement pursuant to the Uniform Commercial Code for any of the items specified above as part of the Property which, under applicable law, may be subject to a security interest pursuant to the Uniform Commercial Code, and Borrower hereby grants Lender a security interest in said items. Borrower agrees that, subject to applicable law, Lender may file this Instrument, or a reproduction thereof, in the real estate records or other appropriate index, as a financing statement for any of the items specified above as part of the Property. Subject to applicable law, any reproduction of this Instrument or of any other security agreement or financing statement shall be sufficient as a financing statement. In addition, Borrower agrees to execute and deliver to Lender, upon Lender's request, any financing statements, as well as extensions, renewals and amendments thereof, and reproductions of this Instrument in such form as Lender may require to perfect a security interest with respect to said items. Borrower shall pay all costs of filing such financing statements and any extensions, renewals, continuations, amendments and releases thereof, and shall pay all reasonable costs and expenses of any record searches for financing statements that Lender may reasonably require. Without the prior written consent of Lender, Borrower shall not create or suffer to be created pursuant to the Uniform Commercial Code any other

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security interest in said items, including replacements and additions thereto. Upon the occurrence and continuation of an Event of Default under this Instrument, Lender shall have the remedies of a secured party under the Uniform Commercial Code and, at Lender's option, may also invoke the remedies provided in paragraph 27 of this Instrument as to such items. In exercising any of said remedies, Lender may proceed against the items of real property and any items of personal property specified above as part of the Property separately or together and in any order whatsoever, without in any way affecting the availability of Lender's remedies under the Uniform Commercial Code or of the remedies provided in paragraph 27 of this Instrument.

16. LEASES OF THE PROPERTY. Borrower shall comply with and observe Borrower's obligations under Section 7.15 of the Master Reimbursement Agreement with respect to all leases. All leases of the Property entered into or renewed, extended or otherwise modified after the date hereof shall specifically provide that such leases are subordinate to this Instrument; that the tenant attorns to Lender, such attornment to be effective upon Lender's acquisition of title to the Property; that the attornment of the tenant shall not be terminated by foreclosure; and that Lender may, at Lender's option, accept or reject such attornments. Borrower shall not, without Lender's written consent, execute, modify, surrender or terminate, either orally or in writing, any lease now existing or hereafter made of all or any part of the Property providing for a term of three years or more, permit an assignment or sublease of such lease without Lender's written consent, or request or consent to the subordination of any lease or all or any part of the Property to any lien subordinate to this Instrument.

Upon written request by Lender to Borrower after the occurrence and continuation of an Event of Default, Borrower shall assign to Lender, by written instrument satisfactory to Lender, all leases now existing or hereafter made of all or any part of the Property, and pay over to Lender all prepaid installments of rents made by any tenant that are not yet due and payable under such tenant's lease and all security deposits made by tenants in connection with such leases of the Property. Upon assignment by Borrower to Lender of any leases of the Property, Lender shall have all of the rights and powers possessed by Borrower prior to such assignment and Lender shall have the right to modify, extend or terminate such existing leases and to execute new leases, in Lender's sole discretion, without assuming any of Borrower's obligations thereunder other than any obligation with respect to security deposits actually delivered by Borrower to Lender, if any.

17. REMEDIES CUMULATIVE. Each remedy provided in this Instrument is distinct from and cumulative to all other rights or remedies under this Instrument or afforded by law or equity, and may be exercised concurrently, independently, or successively, in any order whatsoever.

18. ACCELERATION IN CASE OF INSOLVENCY. If (i) Borrower or the General Partner shall (A) commence a voluntary case under the Federal bankruptcy laws (as now or hereafter in effect), (B) file a petition seeking to take advantage of any other laws, domestic or foreign, relating to bankruptcy, insolvency, reorganization, debt adjustment; winding up or composition or adjustment of debts, (C) consent to or fail to contest in a timely and appropriate manner any petition filed against it in an involuntary case under such

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bankruptcy laws or such other laws, (D) apply for or consent to, or fail to contest in a timely and appropriate manner, the appointment of, or the taking of possession by, a receiver, custodian, trustee or liquidator of itself or of a substantial part of its property, domestic or foreign, (E) admit in writing its inability to pay, or generally not be paying its debts as they become due, (F) make a general assignment for the benefit of creditors, (G) dissolve or liquidate for any reason (whether voluntary or involuntary) or (H) take any corporation or partnership action for the purpose of effecting any of the foregoing; or (ii) if a case or other proceeding shall be commenced against Borrower or the General Partner in any court of competent jurisdiction seeking (A) relief under the Federal bankruptcy laws (as now or hereafter in effect) or under any other laws, domestic or foreign, relating to bankruptcy, insolvency, reorganization, winding upon or composition or adjustment of debts, or (B) the appointment of a trustee, receiver, custodian, liquidator or the like of Borrower or the General Partner or of all or a substantial part of the property, domestic or foreign, of Borrower or the General Partner and any such case or proceeding shall continue undismissed or unstayed for a period of sixty (60) consecutive calendar days, or any order granting the relief requested in any such case or proceeding against Borrower or the General Partner (including, but not limited to, an order for relief under such Federal bankruptcy laws) shall be entered; or (iii) if there is an attachment or other judicial seizure of any portion of Borrower's the General Partner's assets, or an execution of a substantial portion of Borrower's or the General Partner's assets, and such seizure is not discharged within thirty days, then Lender may, at Lender's option, declare all of the sums secured by this Instrument to be immediately due and payable without prior notice to Borrower, and Lender may invoke any remedies permitted by paragraph 27 of this Instrument. Any attorneys' fees and other expenses incurred by Lender in connection with Borrower's bankruptcy or any of the other aforesaid events shall be additional indebtedness of Borrower secured by this Instrument pursuant to paragraph 8 hereof.

19. TRANSFERS OF THE PROPERTY OR BENEFICIAL INTERESTS IN BORROWER; ASSUMPTION. See the Rider attached hereto.

20. NOTICE. See the Rider attached hereto.

21. SUCCESSORS AND ASSIGNS BOUND; JOINT AND SEVERAL LIABILITY; AGENTS; CAPTIONS. The covenants and agreements herein contained shall bind, and the rights hereunder shall inure to, the respective successors and assigns of Lender (including, without limitation, Fannie Mae) and Borrower, subject to the provisions of the Rider, as referred to in paragraph 19 hereof. All covenants and agreements of Borrower shall be joint and several. In exercising any rights hereunder or taking any actions provided for herein, Lender may act through its employees, agents or independent contractors as authorized by Lender. The captions and headings of the paragraphs of this Instrument are for convenience only and are not to be used to interpret or define the provisions hereof.

22. UNIFORM MULTIFAMILY INSTRUMENT; SEVERABILITY. This form of multifamily instrument combines uniform covenants for national use and non-uniform covenants with limited variations by jurisdiction to constitute a uniform security instrument covering real property and related fixtures and personal property. In the event that any provision of this Instrument, the Master Agreement or the other Loan Documents conflicts

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with applicable law, such conflict shall not affect other provisions of this Instrument, the Master Agreement or the other Loan Documents which can be given effect without the conflicting provisions, and to this end the provisions of this Instrument, the Master Agreement or the other Loan Documents are declared to be severable. In the event that any applicable law limiting the amount of interest or other charges permitted to be collected from Borrower is interpreted so that any charge provided for in this Instrument or in the Master Reimbursement Agreement or on the other Loan Documents, whether considered separately or together with other charges levied in connection with this Instrument and the other Loan Documents and the Master Agreement, violates such law, and Borrower is entitled to the benefit of such law, such charge is hereby reduced to the extent necessary to eliminate such violation. The amounts, if any, previously paid to Lender in excess of the amounts payable to Lender pursuant to such charges as reduced shall be applied by Lender to reduce the principal of the indebtedness evidenced by the Notes and the amounts owing under the Master Agreement. For the purpose of determining whether any applicable law limiting the amount of interest or other charges permitted to be collected from Borrower has been violated, all indebtedness which is secured by this Instrument or evidenced by the Notes, the Master Agreement or the other Loan Documents and which constitutes interest, as well as all other charges levied in connection with such indebtedness which constitute interest, shall be deemed to be allocated and spread over the stated term of the Notes and the Master Agreement. Unless otherwise required by applicable law, such allocation and spreading shall be effected in such a manner that the rate of interest computed thereby is uniform throughout the stated term of the Notes and the Master Agreement.

23. WAIVER OF STATUTE OF LIMITATIONS. Borrower hereby waives the right to assert any statute of limitations as a bar to the enforcement of the lien of this Instrument or to any action brought to enforce the other Loan Documents, the Master Agreement or any other obligation secured by this Instrument.

24. WAIVER OF MARSHALLING. Notwithstanding the existence of any other security interests in the Property held by Lender or by any other party, Lender shall have the right to determine the order in which any or all of the Property shall be subjected to the remedies provided herein. Lender shall have the right to determine the order in which any or all portions of the indebtedness secured hereby are satisfied from the proceeds realized upon the exercise of the remedies provided herein. Borrower, any party who consents to this Instrument and any party who now or hereafter acquires a security interest in the Property and who has actual or constructive notice hereof hereby waives any and all right to require the marshalling of assets in connection with the exercise of any of the remedies permitted by applicable law or provided herein.

25. ASSIGNMENT OF RENTS; APPOINTMENT OF RECEIVER; LENDER IN POSSESSION.

(a) As part of the consideration for the indebtedness evidenced by the Notes and the obligations evidenced by the Master Agreement, Borrower hereby absolutely and unconditionally assigns and transfers to Lender all the rents and revenues of the Property, including those now due, past due, or to become due by virtue of any lease or other agreement for the occupancy or use of all or any part of the Property, regardless of to whom the rents and

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revenues of the Property are payable. Borrower hereby authorizes Lender or Lender's agents to collect the aforesaid rents and revenues and hereby directs each tenant of the Property to pay such rents to Lender or Lender's agents; provided, however, subject to the terms and provisions of the Cash Management Agreement (as defined in the Master Reimbursement Agreement), that prior to the occurrence of an Event of Default, Borrower shall collect and receive all rents and revenues of the Property as trustee for the benefit of Lender and Borrower, to apply the rents and revenues so collected to the sums secured by this Instrument in the order provided in paragraph 3 hereof with the balance, so long as no Event of Default has occurred and is continuing, to the account of Borrower, it being intended by Borrower and Lender that this assignment of rents constitutes an absolute assignment and not an assignment for additional security only. Upon delivery by Lender to Borrower of written notice of the occurrence of an Event of Default (a "Default Notice"), and without the necessity of Lender entering upon and taking and maintaining full control of the Property in person, by agent or by a court-appointed receiver, Lender shall immediately be entitled to possession of all rents and revenues of the Property as specified in this paragraph 25 as the same become due and payable, including but not limited to rents then due and unpaid and rents not yet due and prepaid, and all such rents shall immediately upon the delivery of such Default Notice be held by Borrower as trustee for the benefit of Lender only; provided, however, that the Default Notice shall contain a statement that Lender exercises its rights to such rents. Borrower agrees that, subject to the terms and provisions of the Cash Management Agreement, commencing upon delivery of such Default Notice by Lender to Borrower, each tenant of the Property shall make such rents payable to and pay such rents to Lender or Lender's agents on Lender's written demand to each tenant therefor, delivered to each tenant personally, by mail or by delivering such demand to each rental unit, without any liability on the part of said tenant to inquire further as to the existence of the matters set forth in such Default Notice. Borrower acknowledges and agrees that, pursuant to the Master Agreement, Borrower and Lender shall, at Lender's request, enter into an amendment to that certain Cash Management Agreement, in which event the provisions of such Cash Management Agreement shall govern to the extent such provisions are inconsistent with the provisions of this paragraph 25 (a).

(b) Except for any Permitted Title Liens, Borrower hereby covenants that Borrower has not executed any prior assignment of said rents, that Borrower has not performed, and will not perform, any acts or has not executed, and will not execute, any instrument which would prevent Lender from exercising its rights under this paragraph 25, and that, except as provided in the last sentence of this clause (b), at the time of execution of this Instrument there has been no anticipation or prepayment of any of the rents of the Property for more than two months prior to the due dates of such rents. Borrower covenants that, except as provided in the last sentence of this clause (b), Borrower will not hereafter collect or accept payment of any rents of the Property more than two months prior to the due dates of such rents. Borrower further covenants that Borrower will execute and deliver to Lender such further assignments of rents and revenues of the Property as Lender may from time to time request. Notwithstanding the foregoing, Borrower may collect de minimis, amounts of advance rents prior to the due dates thereof, provided, however, that such prepayments shall in no event exceed the lesser of (x) 1% of the aggregate monthly rentals with respect to the Property and (y) with respect to any single lease, twelve months advance monthly rentals thereunder.

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(c) Upon the occurrence and continuation of an Event of Default under this Instrument, Lender may in person, by agent or by a court-appointed receiver, regardless of the adequacy of Lender's security, enter upon and take and maintain full control of the Property in order to perform all acts necessary and appropriate for the operation and maintenance thereof including, but not limited to, the execution, cancellation or modification of leases, the collection of all rents and revenues of the Property, the making of repairs to the Property and the execution or termination of contracts providing for the management or maintenance of the Property, all on such terms as are deemed by Lender best to protect the security of this Instrument. In the event Lender elects to seek the appointment of a receiver for the Property upon an Event of Default, Borrower hereby expressly consents to the appointment of such receiver. Lender or the receiver shall be entitled to receive a reasonable fee for so managing the Property.

(d) All rents and revenues collected subsequent to delivery of a Default Notice by Lender to Borrower shall be applied first to the costs, if any, of taking control of and managing the Property and collecting the rents, including, but not limited to, attorneys' fees, receiver's fees, premiums on receiver's bonds, costs of repairs to the Property, premiums on insurance policies, taxes, assessments and other charges on the Property, and the costs of discharging any obligation or liability of Borrower as lessor or landlord of the Property and then to the sums secured by this Instrument. Lender or the receiver shall have access to the books and records used in the operation and maintenance of the Property and shall be liable to account only for those rents actually received. Lender shall not be liable to Borrower, anyone claiming under or through Borrower or anyone having an interest in the Property by reason of anything done or left undone by Lender under this paragraph 25.

(e) If the rents of the Property are not sufficient to meet the costs, if any, of taking control of and managing the Property and collecting the rents, any funds expended by Lender for such purposes shall become indebtedness of Borrower to Lender secured by this Instrument pursuant to paragraph 8 hereof. Unless Lender and Borrower agree in writing to other terms of payment, such amounts shall be payable upon notice from Lender to Borrower requesting payment thereof and shall bear interest from the date of disbursement at the Default Rate.

Any entering upon and taking and maintaining of control of the Property by Lender or the receiver and any application of rents as provided herein shall not cure or waive any default hereunder or invalidate any other right or remedy of Lender under applicable law or provided herein. This assignment of rents of the Property shall terminate at such time as this Instrument is satisfied by the holder hereof.

26. LOAN CHARGES.

If any applicable law limiting the amount of interest or other charges permitted to be collected from Borrower is interpreted so that any charge provided for in any Loan Document, whether considered separately or together with other charges levied in connection with any other Loan Document, violates that law, and Borrower is entitled to the benefit of that law, that charge is hereby reduced to the extent necessary to eliminate that violation. The amounts, if any, previously paid to Lender in excess of the permitted amounts shall be applied by Lender to

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reduce the principal of the Indebtedness. For the purpose of determining whether any applicable law limiting the amount of interest or other charges permitted to be collected from Borrower has been violated, all Indebtedness which constitutes interest, as well as all other charges levied in connection with the Indebtedness which constitute interest, shall be deemed to be allocated and spread over the stated term of the Note. Unless otherwise required by applicable law, such allocation and spreading shall be effected in such a manner that the rate of interest so computed is uniform throughout the stated term of the Note.

Non-Uniform Covenants. Borrower and Lender further covenant and agree as follows:

27. ACCELERATION; REMEDIES; LATE CHARGES; DEFAULT INTEREST. Upon the occurrence and continuation of an Event of Default, Lender, at Lender's option, may declare all of the sums secured by this Instrument to be immediately due and payable without further demand, and may invoke the power of sale and other remedies permitted by applicable law or provided herein. Borrower acknowledges that the power of sale herein granted may be exercised by Lender without prior judicial hearing. Borrower has the right to bring an action to assert the non-existence of an Event of Default or any other defense of Borrower to acceleration and sale. Lender shall be entitled to collect all costs and expenses incurred in pursuing such remedies, including, but not limited to, reasonable attorneys' fees and costs of documentary evidence, abstracts and title reports.

If Lender invokes the power of sale, Lender shall mail a copy of a notice of sale to Borrower in the manner provided in paragraph 20 hereof. Lender shall publish the notice of sale once a week for three consecutive weeks in a newspaper published in Jefferson County, Alabama, and thereupon shall sell the Property to the highest bidder at public auction at the front door of the County Courthouse of said County. Lender may sell the Property in one or more parcels and in such order as Lender may determine. Lender may postpone sale of all or any parcel of the Property by public announcement at the time and place of any previously scheduled sale. Lender or Lender's designee may purchase the Property at any sale.

Lender shall deliver to the purchaser Lender's deed conveying the Property so sold without any covenant or warranty, expressed or implied. The recitals in Lender's deed shall be prima facie evidence of the trust of the statements made therein. Borrower covenants and agrees that the proceeds of any sale shall be applied in the following order (a) to all reasonable costs and expenses of the sale, including, but not limited to, reasonable attorney's fees and costs of title evidence; (b) to all sums secured by this Instrument in such order as Lender, in Lender's sole discretion, directs; and (c) the excess, if any, to the persons or persons legally entitled thereto.

If the Property is sold pursuant to this paragraph 27, Borrower, or any person holding possession of the Property through Borrower, shall surrender possession of the Property to the purchaser at such sale on demand. If possession is not surrendered on demand, Borrower or such person shall be a tenant holding over and may be dispossessed in accordance with applicable law.

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28. MASTER AGREEMENT. Borrower covenants and agrees, for the benefit of Lender, to perform its obligations to Lender under the Master Agreement.

29. RELEASE. Upon payment of all sums secured by this Instrument, Lender shall cancel this Instrument of record. Borrower shall pay Lender's reasonable costs including recording fees incurred in cancelling this Instrument.

30. WAIVER OF HOMESTEAD. Borrower hereby waives all right of homestead exemption in the Property.

31. ASSUMPTION NOT A NOVATION. Lender's consent to any Transfer (including any agreement by Lender to release Borrower or any other party from any of its obligations evidenced or secured hereby) shall not constitute a novation.

32. CONFLICT WITH MASTER AGREEMENT. Any terms and conditions contained in this Instrument that may also be contained in the Master Agreement shall not, to the extent reasonably practicable, be construed to be in conflict with each other, but rather shall be construed as duplicative, confirming, additional or cumulative provisions. To the extent that any ultimate conflict between the terms and conditions of this Instrument and those set forth in the Master Agreement is determined to exist, the terms and conditions of the Master Agreement shall control.

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IN WITNESS WHEREOF, Borrower has executed and sealed this Instrument or has caused the same to be executed and sealed by its representatives thereunto duly authorized.

BORROWER:

COLONIAL REALTY LIMITED PARTNERSHIP

By: Colonial Properties Trust, its sole general partner

By: _____
Name: Jerry A. Brewer
Title: Senior Vice President

Borrower's Address:

P.O. Box 11687 (35202-1687)
2101 Sixth Avenue North
Suite 750
Birmingham, Alabama 35203

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CORPORATE LIMITED PARTNERSHIP ACKNOWLEDGEMENT

STATE OF ALABAMA:
Jefferson County::

On this 14th day of June, 2005, I, Brandi Singleton a Notary Public in and for said county and in said state, hereby certify that Jerry A. Brewer , whose name as Senior Vice President of Colonial Properties Trust, a trust organized by the laws of Alabama, general partner of Colonial Realty Limited Partnership, is signed to the foregoing conveyance, and who is known to me, acknowledged before me that, being informed of the contents of the conveyance, he, as such officer of said general partner and with fully authority, executed the same voluntarily for and as the act of said limited partnership on the day same bears date.

Given under my hand and seal of office.

My commission expires:

3/30/08

Brandi L. Singleton
Notary Public

This instrument was prepared by David L. Dubrow, Esq., 1675 Broadway, New York, NY 10019.

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EXHIBIT "A"

INVERNESS

PARCEL ONE:

Begin at the Southwest corner of the Northwest ¼ of the Northeast ¼ of Section 36, Township 18 South, Range 2 West, Shelby County, Alabama, and run in a Westerly direction along the south line of the Northeast ¼ of the Northwest ¼ of said Section 36 a distance of 13.95 feet to a point on the Southeasterly line of a 60 foot ingress-egress easement; said easement recorded in Real Volume 13, page 426 and Real Volume 28, page 673, in the Probate Office of Shelby County, Alabama; thence a deflection angle right of 95°39'07" and run in a Northeasterly direction along said Southeasterly line of 60 foot ingress-egress easement a distance of 44.18 feet to the point of curve of a curve to the right, said curve having a radius of 850.67 feet and a central angle of 12°57'23"; thence continue in a Northeasterly direction along said curve and Southeasterly line of said 60 foot ingress-egress easement an arc distance of 192.36 feet to the point of tangent of said curve; thence continue in a Northeasterly direction along tangent 570.51 feet to the point of curve of a curve to the left, said curve having a radius of 272.04 feet and a central angle of 36°03'00"; thence run in a Northeasterly to Northwesterly direction along the arc of said curve and the most Easterly line of said 60 foot ingress-egress easement an arc distance of 171.17 feet to a point of reverse curve of a curve to the right, said curve having a radius of 202.35 feet and a central angle of 37°27'00"; thence run in a Northwesterly to Northeasterly direction along the arc of said curve and the most Easterly line of said 60 foot ingress-egress easement an arc distance of 132.26 feet to the point of tangent of said curve; thence continue in a Northeasterly direction along said tangent 55.49 feet to a point; thence an interior angle of 90°40'30" and run to the right, leaving the Northeasterly line of said 60 foot ingress-egress easement and running in a Southeasterly direction 90.63 feet to a point; thence an interior angle of 260°18'00" and run to the left in a Northeasterly direction 204.08 feet to a point; thence an interior angle of 99°12'00" and run to the right in a Southeasterly direction 265.33 feet to a point; thence an interior angle of 197°25'00" and run to the left in a Southeasterly direction 77.06 feet to a point; thence an interior angle of 174°49'00" and run to the right in a Southeasterly direction 65.07 feet to a point; thence an interior angle of 128°57'00" and run to the right in a Southeasterly direction 94.44 feet to a point; thence an interior angle of 136°04'00" and run to the right in a Southwesterly direction 132.54 feet to a point; thence an interior angle of 161°29'00" and run to the right in a Southwesterly direction 230.34 feet to a point; thence an interior angle of 173°05'00" and run to the right in a Southwesterly direction 142.56 feet to a point; thence an interior angle of 265°30'00" and run to the left in a Southeasterly direction 251.21 feet to a point; thence an interior angle of 226°22'00" and run to the right in a Southerly direction 420.00 feet to point; thence an interior angle of 88°53'00" and run to the right in a Westerly direction 271.66 feet to a point; thence an interior angle of 271°07'00" and run to the left in a Southerly direction 60.01 feet to a point on the South line of said Northwest ¼ of Northeast ¼ of said Section 36; thence an interior

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angle of 88°53'00" and run to the right along said South line of said ¼ ¼ Section 548.37 feet to the point of beginning.

PARCEL TWO:

A non-exclusive easement for ingress and egress and the installation of utilities, 60 feet in width being 30 feet on each side of centerline described as follows:

From the SE corner of the NE ¼ of the NW ¼, Section 36, Township 18 South, Range 2 West, Shelby County, Alabama, run West along the South Boundary of said ¼ ¼ a distance of 44.10 feet to the point of beginning; thence 30 feet each side of a line described as:

From the said ¼ ¼ line, turn an angle of the right of 95°39'07" and go 47.13 feet; thence right along the arc of a curve with a radius of 850.67 feet, a distance of 199.15 feet; thence along the tangent line to said curve a distance of 570.51 feet; thence along a curve to the left with a radius of 242.04 feet a distance of 152.29 feet; thence along the arc of a curve to the right with a radius of 232.35 feet a distance of 42.38 feet, said point being the end of this easement. Said easement being originally created by instrument recorded in Real Record 13, page 426 in the Probate Office of Shelby County, Alabama.

PARCEL THREE:

From the NW corner of the NW ¼ of the NE ¼, Section 36, Township 18 South, Range 2 West, run South along the West boundary of said ¼ ¼ a distance of 370.01 feet; thence left 88°01'30" a distance of 212.71 feet to the point of beginning, said point on the centerline of a road, said centerline being a curve to the right with a radius of 232.35 feet; thence turn left 97°53'56" to the tangent of said curve and follow the arc of the curve a distance of 109.49 feet to the point of tangency of said curve; thence continue along the projection of said tangent a distance of 56.61 feet. Said easement being originally created by instrument recorded in real record 028, page 673 in the Probate Office of Shelby County, Alabama.

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EXHIBIT "B"

Permitted Encumbrances

PLEASE SEE ATTACHED

This is a PRO FORMA POLICY. It is being furnished to or an behalf of the party to be insured and at the request of the party to be insured or that party's counsel or representative. It neither reflects the present status of title, nor is it intended to be a commitment to insure. The inclusion of endorsements as part of the Pro Forma Policy in no way evidences the willingness of Chicago Title Insurance Company to provide any affirmative coverage shown therein. There are requirements that must be met and satisfied before a final policy can be issued in the same form as this Pro Forma Policy. A commitment to insure setting forth these requirements should be obtained from the Company or the authorized agent of the Company issuing this Pro Forma Policy.

LOAN FORM
CHICAGO TITLE INSURANCE COMPANY
SCHEDULE B

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Policy Number: 72107-70118296

EXCEPTIONS FROM COVERAGE

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of:

Special Exceptions:

1. Taxes and assessments for the year 2005, and subsequent years, which are not yet due and payable. Tax information has been based on the present assessment roles, but is subject to any future adjustments that may be made by either the Tax Assessor or the Board of Equalization of Shelby County, Alabama.

2. Easement recorded in Real 13, page 426 and Real 28, page 675, in the Probate Office of Shelby County, Alabama.

3. Restrictions or Covenants recorded in Real 181, page 286, in the Probate Office of Shelby County, Alabama, but omitting any covenant or restriction based on race, color, religion, sex, handicap, familial status, or national origin.
Policy insures that the covenants and restrictions are not violated and any future violations will not result in forfeiture or reversion of title.

4. Right of way to Water Works Board of the City of Birmingham, recorded in Real 2836, page 402, in the Probate Office of Shelby County, Alabama.
Policy insures that the right of way will not interfere with the use of the present improvements of the premises.

5. Right of Way granted to South Central Bell by instrument recorded in Real 66, page 493, in the Probate Office of Shelby County, Alabama.
Policy insures that the right of way will not interfere with the use of the present improvements of the premises.

6. Right of Way granted to Alabama Power Company by instrument recorded in Real 75, page 644, in the Probate Office of Shelby County, Alabama.
Policy insures that the right of way will not interfere with the use of the present improvements of the premises.

7. Rights of others in and to that certain ingress and egress easement recorded in Real 164, page 433, in the Probate Office of Shelby County, Alabama.
Policy insures that the right of way will not interfere with the use of the present improvements of the premises.

continued...

8. Sanitary Sewer Agreement as recorded in Real 172, page 807 and Real 164, page 450 in the Probate Office of Shelby County, Alabama.

9. General Utility Easement recorded in Real 164, page 408, in the Probate Office of Shelby County, Alabama.

10. The following matters of survey as delineated on the survey by Charles A. Williams with Paragon Engineering, Inc., dated March 15, 2005:

a) encroachment of buildings and structures over 25 foot setback line.

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Issuing Agent:
LAND TITLE COMPANY OF ALABAMA

_____
Authorized Signatory

Schedule B of this Policy consists of * page(s).

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LOAN FORM
CHICAGO TITLE INSURANCE COMPANY
SCHEDULE B

Policy Number: 72107-70118296

PART II

In Addition to the matters set forth in Part I of this Schedule, the title to the estate or interest in the land described or referred to in Schedule A is subject to the following matters, if any be shown, but the Company insures that such matters are subordinate to the lien or charge of the insured mortgage upon said estate or interest.

1. **Multifamily First Mortgage dated June 27, 1996 executed by Colonial Realty Limited partnership, a Delaware limited partnership to Alabama Housing Finance Authority, filed for record July 1, 1996, recorded in Instrument 1996/21127, and subsequently transferred and assigned to AmSouth Bank of Alabama and Federal National Mortgage Association by instrument recorded in Instrument 1996/21128, in the Probate Office of Shelby County, Alabama.**

2. **Multifamily Second Mortgage, Assignment of Rents and Leases and security Agreement from Colonial Realty Limited Partnership to Federal National Mortgage Association, filed for record July 1, 1996, recorded in Instrument 1996/21129, in the Probate Office of Jefferson County, Alabama.**

3. **Amendment to Multifamily Second Mortgage Assignment of Rents and Security Agreement by and between Colonial Realty Limited Partnership and Fannie Mae, dated _____, 2005 and recorded _____, 2005, recorded in Instrument _____, in the Probate Office of Shelby County, Alabama.**

4. **UCC recorded in Instrument 1996/21130 executed by Colonial realty Limited Partnership to AmSouth Bank of Alabama and Federal National Mortgage Association filed for record on July 1, 1996 and continued in Instrument 2001/25838, in the Probate Office of Shelby County, Alabama.**

5. **UCC recorded in Instrument 1996/21131 executed by Colonial realty Partnership to Federal National Mortgage Association filed for record on July 1, 1996 in the Probate Office of Shelby County, Alabama.**

This Policy valid only if Schedule B is attached.

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SCHEDULE 1

Other Security Instruments

1. Colonial Grande at Galleria (Birmingham, Alabama): A certain Multifamily Third Mortgage, Assignment of Rents, and Security Agreement, dated as of June 20, 2005, for the benefit of Lender, recorded concurrently herewith with the Probate Office, Jefferson County, and assigned to Fannie Mae pursuant to the Assignment of Mortgage dated as of even date therewith.

2. Colonial Grande at Research Park (Huntsville, Alabama): A certain Multifamily Subordinate Mortgage, Assignment of Rents, and Security Agreement, dated as of June 20, 2005, for the benefit of Lender, recorded concurrently herewith with the Probate Office, Madison County, and assigned to Fannie pursuant to the Assignment of Mortgage dated as of even date therewith.

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RIDER TO THIRD MULTIFAMILY INSTRUMENT

THIS RIDER TO THIRD MULTIFAMILY INSTRUMENT (this, "Rider") is made as of the 20th day of June, 2005, and is incorporated into and shall be deemed to amend and supplement the Multifamily Third Mortgage, Assignment of Rents and Security Agreement dated as of the date hereof (the "Instrument"), given by the undersigned, COLONIAL REALTY LIMITED PARTNERSHIP, a Delaware limited partnership organized and existing under the laws of Delaware, whose address is 2101 6th Avenue North, Suite 750, Birmingham, Alabama 35202-1687 (together with its permitted successors and assigns, "Borrower") to WACHOVIA MULTIFAMILY CAPITAL, INC. and its successors and assigns ("Lender"). The Instrument, as amended by this Rider and any additional or future riders to the Instrument, is referred to collectively as the "Multifamily Instrument."

TO SECURE TO LENDER the payment and performance of the Secured Obligations. This Multifamily Instrument covers the property described in the Instrument and defined therein as the "Property," located at 3100 Heatherbrooke Road, Birmingham, Alabama 35242, and commonly referred to as the "Colonial Grand at Inverness".

The Property is located entirely within the State of Alabama (the "Property Jurisdiction").

The term "Loan Documents" when used herein shall mean, collectively, the following documents: (i) the Instrument; (ii) the Other Security Instruments; (iii) the Notes; (iv) the Master Agreement; and (v) all other documents or agreements, including any Ancillary Collateral Agreements (as defined below), the Cash Management Agreement (as defined below), arising under, related to, or made in connection with, the Master Agreement and the Notes, as such Loan Documents may be amended, supplemented or otherwise modified from time to time. Any conflict between the provisions of the Instrument and the Rider shall be resolved in favor of the Rider.

The covenants and agreements of this Rider, and the covenants and agreements of any other riders to the Instrument, shall be incorporated into and shall amend and supplement the covenants and agreements of the Instrument as if this Rider and the other riders were a part of the Instrument, and all references to the "Multifamily Instrument" or similar term in the Loan Documents shall mean the Instrument as so amended and supplemented. Any conflict between the provisions of the Instrument and this Rider shall be resolved in favor of this Rider.

ADDITIONAL COVENANTS. In addition to the covenants and agreements made in the Instrument, Borrower and Lender further covenant and agree as follows:

A. <u>Funds for Taxes, Insurance and Other Charges</u>

Uniform Covenant 2 of the Instrument ("Funds for Taxes, Insurance and Other Charges") is amended to change the title to "Funds for Taxes, Insurance and Other Charges; Ancillary Collateral Agreements." Existing Uniform Covenant 2 is amended to become

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Uniform Covenant 2A. The following new Uniform Covenant 2B is added at the end of Uniform Covenant 2A:

2B. Replacement Reserve Agreement and Other Ancillary Collateral Agreements.

(a) Replacement Reserve Agreement

Borrower shall deposit with Lender the amounts required by the Master Replacement Reserve and Security Agreement (the "Replacement Reserve Agreement"), if any, between Borrower and Fannie Mae, dated as of June 1, 1996, as amended as of the date hereof, at the times required by the Replacement Reserve Agreement and shall perform all other obligations as and when required pursuant thereto.

(b) Ancillary Collateral Agreements

As used herein, the term "Ancillary Collateral Agreement" shall mean the Replacement Reserve Agreement, the Cash Management, Security, Pledge, and Assignment Agreement (the "Cash Management Agreement"), if any, dated as of June 1, 1996, as amended as of the date hereof, between Borrower and Fannie Mae, the Management Subordination, Attornment and Assignment Agreement (the "Subordination of Management Agreement") dated as of June 1, 1996, as amended as of the date hereof, between Borrower and Fannie Mae, the Master Completion/Repair and Security Agreement dated as of the date hereof between Borrower and Fannie Mae and the O&M Agreements (as defined below), if any.

B. Application of Payments

Uniform Covenant 3 of the Instrument ("Application of Payments") is amended to add the following sentence at the end thereof:

Notwithstanding the preceding sentence and except as provided in the Notes, (i) Lender shall be permitted to apply any partial payment received from Borrower in any manner determined by Lender and in any order of priority of application as determined by Lender, in Lender's sole discretion, and (ii) upon the occurrence and continuation of an Event of Default, notwithstanding any provisions in any of the Loan Documents to the contrary, Lender may apply any funds held pursuant to this Multifamily Instrument (including, without limitation, any insurance or condemnation proceeds or any security given in connection therewith), any Ancillary Collateral Agreement, the Master Agreement or otherwise in connection with the indebtedness evidenced or secured hereby to satisfy any and all of Borrower's obligations to Lender under any of the Loan Documents in any order of priority of application as determined by Lender, in Lender's sole discretion; provided, however, that Lender agrees that any funds deposited with Lender for the payment of insurance premiums shall, to the extent of the amount so deposited, be applied to the payment of insurance premiums.

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C. Charges; Liens

Uniform Covenant 4 of the Instrument ("Charges; Liens") is amended to add the following provisions at the end thereof:

> Provided that no Event of Default has occurred and is continuing, Borrower shall not be required to pay or discharge any obligation imposed upon Borrower by Uniform Covenant 4 so long as Borrower shall in good faith and at its sole cost and expense diligently contest the same or the validity thereof by appropriate legal proceedings, which proceedings must operate to prevent the collection thereof or other realization thereon, the sale of the lien thereof and the sale or forfeiture of the Property or any portion thereof to satisfy the same; provided, however, that during such contest (i) Borrower shall, at the option of Lender, provide security satisfactory to Lender sufficient to cover the amount of the contested obligations, with interest for the period that such proceedings may reasonably be expected to take, assuring the discharge of Borrower's obligations hereunder and of any additional interest, charge, fine, penalty, fee or expense arising from or incurred as a result of such contest, and (ii) the title company insuring the Property agrees to insure over any potential lien that may result from such contest. If at any time the payment of any obligation imposed upon Borrower by Uniform Covenant 4 shall become necessary to prevent (a) the delivery of a tax deed conveying the Property or any portion thereof, or (b) the sale of the tax lien therefor because of non-payment, or (c) the imposition of any penalty, fine, charge, fee, cost or expense on Lender, then Borrower shall pay the same in sufficient time to prevent the occurrence of any of the foregoing.

D. Hazard Insurance; Restoration of Property.

Uniform Covenant 5 of the Instrument ("Hazard Insurance") is amended to add the following clause (iv) to clause (c) thereof:

> (iv) Notwithstanding clause (ii) above, and subject to the next sentence, in the event of a loss for which the estimated aggregate cost of reconstruction and/or repair, as determined by Lender, is less than Two Hundred Thousand and 00/100 Dollars ($200,000.00), Lender agrees, provided that no Event of Default has occurred and is continuing, to waive its right to act as Borrower's attorney-in-fact and hold and apply the insurance proceeds (each as set forth in clause (ii) above) upon the condition that (A) Borrower shall give prompt written notice thereof to Lender, (B) any casualty loss draft is made payable to both Lender and Borrower, (C) such reconstruction and/or repair is performed by Borrower promptly, in a good and workmanlike manner, and in compliance with all applicable Requirements, (D) the Property shall be restored to the equivalent of its condition immediately prior to such event of loss or to such other condition as Lender may approve in writing, provided that upon completion of the restoration work the quality and class of the Property shall be substantially equal to the original quality and class of the Property, (E)

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upon completion of the reconstruction and/or repair, Borrower shall certify in writing to Lender that such reconstruction and/or repair was performed in full compliance with all applicable Requirements and that the Property, as reconstructed and/or repaired, is in full compliance with all applicable Requirements and (F) Borrower shall provide Lender with evidence satisfactory to Lender of the payment of all costs of the reconstruction and/or repair and the satisfaction of all liens filed against the Property by reason of nonpayment or alleged nonpayment, in whole or in part, of the cost of any work, labor or services performed or any materials, supplies or equipment furnished in connection with the reconstruction and/or repair of the Property. Notwithstanding the foregoing, upon and after a breach by Borrower of its covenants, obligations and agreements set forth in clauses (A) through (F) hereof, Lender may revoke its waiver of its right to act as Borrower's attorney-in-fact and its right to hold and apply the insurance proceeds. In the event of a loss for which the estimated aggregate cost of reconstruction and/or repair, as determined by the Lender, exceeds Two Hundred Thousand and 00/100 Dollars ($200,000.00), Lender agrees, provided that no Event of Default has occurred and is continuing, that it shall not exercise its right to act as Borrower's attorney-in-fact and its right to hold and apply the insurance proceeds (as set forth in clause (ii) above) provided that Borrower deposits with Lender an amount equal to one hundred and fifty percent (150%) of the estimated aggregate cost of the reconstruction and/or repair of the Property, as determined by Lender, in the form of cash or a letter of credit, which letter of credit shall be in form and substance satisfactory to Lender and shall be issued by a bank acceptable to Lender, as security for the full and faithful performance by Borrower of all of the terms, covenants, agreements, obligations and conditions on Borrower's part to be performed with respect to the reconstruction and/or repair of the Property, and Lender has determined that the conditions of clause (d) below are satisfied and Borrower proceeds to reconstruct or repair the Property in accordance with the terms hereof (including clauses (A) through (F) above. In the event Borrower, from time to time, requests a reduction of such cash security or letter of credit, Lender shall if it is satisfied in its sole discretion that Borrower is in compliance with the obligations and agreement set forth in this clause (c) and clause (d) below and that the cash or the amount of the letter of credit held by Lender is equal to or greater than 150% of the estimated aggregate cost of completion of the reconstruction and/or repair of the Property, it shall refund to Borrower (or in the case of the letter of credit reduce) that portion of the security which exceeds 150% of the estimated aggregate cost of completion of such work.

Uniform Covenant 5 of the Instrument ("Hazard Insurance") is amended to add the following sentence at the end of clause (d) hereof:

Lender shall not exercise Lender's option to apply insurance proceeds or other funds held by Lender to the payment of the sums secured by the Instrument, and Borrower shall not be required to apply insurance proceeds Borrower has received to the payment of the sums secured by the Instrument, if

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all of the following conditions are met: (i) no Event of Default has occurred and is continuing; (ii) Lender determines that there will be sufficient funds to restore and repair the Property to a condition approved by Lender; (iii) Lender determines that the rental income of the Property, after restoration and repair of the Property to a condition approved by Lender, will be sufficient to meet all operating costs and other expenses, payments for reserves and loan repayment obligations relating to the Property; and (iv) Lender determines that restoration and repair of the Property to a condition approved by Lender will be completed prior to the earlier of either (1) the termination date of the Master Agreement or (2) within one year of the date of the loss or casualty to the Property; provided, however, that, notwithstanding the foregoing, Borrower covenants and agrees so to apply the proceeds to the payment of the sums secured by the Instrument if all of the above conditions are not met and if Lender does not otherwise, in its sole discretion, waive such conditions in writing.

E. Preservation and Maintenance of Property

Existing Uniform Covenant 6 ("Preservation and Maintenance of Property") of the Instrument is hereby amended to become Uniform Covenant 6A. Uniform Covenant 6A(b) of the Instrument is amended to add the following provision at the end thereof:

> Notwithstanding the foregoing, and subject to the next sentence, provided that no Event of Default has occurred and is continuing, Borrower may cause or allow alterations to the improvements now existing or hereafter erected on the Property or any fixture, equipment, machinery or appliance in or on the Property, provided that the cost of such alterations does not exceed, in the aggregate in any calendar year, the lesser of (x) $100,000 or (y) the product of One Thousand and 00/100 Dollars ($1,000.00) times the number of individual apartment units located on the Property; and provided further that (i) such alterations are performed by Borrower promptly, in a good and workmanlike manner and in compliance with all applicable Requirements, (ii) Borrower provides the Lender with evidence satisfactory to Lender that the conditions set forth in clause (i) hereof will be fully satisfied and that Borrower has sufficient funds available to apply to the cost of the alterations and/or improvements, (iii) upon completion of the alterations and/or improvements, Borrower shall certify in writing to Lender (and any servicer appointed by Lender) that (1) such alterations and/or improvements were performed in full compliance with all applicable Requirements, (2) the Property is in full compliance with all applicable Requirements, and (3) the value of the Property is at least equal to its value immediately prior to the performance of such alterations and/or improvements, and (iv) Borrower shall provide Lender with evidence satisfactory to Lender of the payment of all costs of the alterations and/or improvements and the satisfaction or waiver of all liens filed against the Property by reason of nonpayment or alleged nonpayment, in whole or in part, of the cost of any work, labor or services performed or any materials, supplies or equipment furnished in connection with the performance of the alterations and/or improvements to the Property. Upon and after a breach by Borrower of

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its covenants, obligations and agreements set forth in clauses (ii), (iii) and (iv) hereof, Borrower shall no longer have the right to cause or allow any alterations to the improvements now existing or hereafter erected on the Property or any fixture, equipment, machinery or appliance in or on the Property without the prior written consent of Lender.

Uniform Covenant 6B is added at the end of Uniform Covenant 6A:

6B. Hazardous Materials/Prohibited Activities or Conditions

Borrower covenants and agrees that Borrower shall not:

(a) cause or permit the presence, use, generation, manufacture, production, processing, installation, release, discharge, storage (including aboveground and underground storage tanks for petroleum or petroleum products), treatment, handling, or disposal of any Hazardous Materials (as defined below) (except with respect to the presence of Hazardous Materials that have been disclosed in an environmental hazard assessment report of the Property received by Lender prior to the date of the Instrument, in quantities no greater than those so disclosed, and excluding the safe and lawful use and storage of quantities of Hazardous Materials customarily used in the operation and maintenance of comparable multifamily properties or for normal household purposes) on or under the Property, or in any way affecting the Property or its value, or which may form the basis for any present or future demand, claim or liability relating to contamination, exposure, cleanup or other remediation of the Property; or

(b) cause or permit the transportation to, from or across the Property of any Hazardous Material (excluding the safe and lawful use and storage of quantities of Hazardous Materials customarily used in the operation and maintenance of comparable multifamily properties or for normal household purposes); or

(c) cause or exacerbate any occurrence or condition on the Property that is or may be in violation of Hazardous Materials Law (as defined below); or

(d) fail to comply with all Hazardous Materials Laws.

(The matters described in (a), (b), (c) and (d) above are referred to collectively below as "Prohibited Activities or Conditions").

Except with respect to any matters which have been disclosed in writing by Borrower to Lender prior to the date of the Instrument, including matters which have been disclosed in an environmental hazard assessment report of the Property received by Lender prior to the date of the Instrument, Borrower represents and warrants that it has not at any time caused or permitted any Prohibited Activities or Conditions and to the best of its knowledge, no Prohibited Activities or Conditions exist or have existed on or under the Property. Borrower shall take all appropriate steps (including but not limited to appropriate lease provisions) to prevent its employees, agents, and contractors, and all tenants and other occupants on the Property, from causing, permitting or exacerbating any Prohibited Activities

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or Conditions. Borrower shall not lease or allow the sublease of all or any portion of the Property for use to any tenant or subtenant that, in the ordinary course of its business, would cause, permit or exacerbate any Prohibited Activities or Conditions, and all leases and subleases shall provide that tenants and subtenants shall not cause, permit or exacerbate any Prohibited Activities or Conditions.

If Borrower has disclosed that Prohibited Activities or Conditions exist on the Property, Borrower shall comply in a timely manner with, and cause all employees, agents, and contractors of Borrower and any other persons present on the Property to so comply with, (1) any program of operations and maintenance ("O&M Program") relating to the Property that is acceptable to Lender with respect to one or more Hazardous Materials (which O&M Program may be set forth in an agreement of Borrower (an "O&M Agreement")) and all other obligations set forth in any O&M Agreement, and (2) all Hazardous Materials Laws. Any O&M Program shall be performed by qualified personnel. All costs and expenses of the O&M Program shall be paid by Borrower, including without limitation Lender's fees and costs incurred in connection with the monitoring and review of the O&M Program and Borrower's performance thereunder. If Borrower fails to timely commence or diligently continue and complete the O&M Program and comply with any O&M Agreement, then Lender may, at Lender's option, declare all of the sums secured by the Instrument to be immediately due and payable, and Lender may invoke any remedies permitted by paragraph 27 of the Instrument.

Borrower represents that Borrower has not received, and has no knowledge of the issuance of, any outstanding claim, citation or notice of any pending or threatened suits, proceedings, orders, or governmental inquiries or opinions involving the Property that allege the violation of any Hazardous Materials Law or that could give rise to any payment of fines, any response costs or other liabilities of my kind under any Hazardous Materials Law ("Governmental Actions").

Borrower represents and warrants to Lender that, except as previously disclosed by Borrower to Lender in writing:

(1) Borrower has not at any time engaged in, caused or permitted any Prohibited Activities or Conditions;

(2) to the best of Borrower's knowledge after reasonable and diligent inquiry, no Prohibited Activities or Conditions exist or have existed;

(3) except to the extent previously disclosed by Borrower to Lender in writing, the Property does not now contain any underground storage tanks, and, to the best of Borrower's knowledge after reasonable and diligent inquiry, the Property has not contained any underground storage tanks in the past. If there is an underground storage tank located on the Property which has been previously disclosed by Borrower to Lender in writing, that tank complies with all requirements of Hazardous Materials Laws;

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(4) Borrower has complied with all Hazardous Materials Laws, including all requirements for notification regarding releases of Hazardous Materials. Without limiting the generality of the foregoing, Borrower has obtained all permits, licenses, or other authorizations issued under any Hazardous Materials Law with respect to any activities or businesses conducted on or in relation to the Property ("Environmental Permits") required for the operation of the Property in accordance with Hazardous Materials Laws now in effect and all such Environmental Permits are in full force and effect;

(5) no event has occurred with respect to the Property that constitutes, or with the passing of time or the giving of notice would constitute, noncompliance with the terms of any Environmental Permit;

(6) there are no actions, suits, claims or proceedings pending or, to the best of Borrower's knowledge after reasonable and diligent inquiry, threatened that involve the Property and allege, arise out of, or relate to any Prohibited Activity or Condition; and

(7) Borrower has not received any complaint, order, notice of violation or other communication from any Governmental Authority with regard to air emissions, water discharges, noise emissions or Hazardous Materials, or any other environmental, health or safety matters affecting the Property or any other property of Borrower that is adjacent to the Property.

Borrower shall promptly notify Lender in writing of: (i) the occurrence of any Prohibited Activity or Condition on the Property; (ii) Borrower's actual knowledge of the presence on or under any adjoining property of any Hazardous Materials which can reasonably be expected to have a material adverse impact on the Property or the value of the Property, discovery of any occurrence or condition on the Property or any adjoining real property that could reasonably be expected to cause any restrictions on the ownership, occupancy, transferability or use of the Property under Hazardous Materials Law; (iii) any Governmental Action; (iv) any representation or warranty in this paragraph E becomes untrue after the date of this Agreement and (v) any claim made or threatened by any third party against Borrower, Lender, or the Property relating to loss or injury resulting from any Hazardous Materials. Any such notice by Borrower shall not relieve Borrower of, or result in a waiver of any obligation of Borrower under this Section 6B. Borrower shall cooperate with any governmental inquiry and shall comply with any governmental or judicial order or directive which arises from any alleged Prohibited Activities or Conditions; provided, however, that so long as no Default or Event of Default has occurred and is continuing under this Instrument or no "Potential Event of Default" has occurred and is continuing under the Master Agreement, Borrower shall not be required to comply with any such governmental or judicial order or directive provided that Borrower shall in good faith and at its sole cost and expense diligently contest the same or the validity thereof by appropriate legal proceedings; provided further, that (1) not later than sixty (60) days after the initiation of such contest, Borrower shall, at the option of Lender, provide security satisfactory to Lender sufficient to cover the amount of any interest, charge, fine, penalty, fee or expense arising from or incurred

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as a result of such contest and (2) during such contest, if any time compliance with any such governmental or judicial order or directive becomes necessary to prevent the imposition of any penalty, fine, charge, fee, cost or expense on Lender, then Borrower shall comply with the same in sufficient time to prevent the occurrence of any of the foregoing.

Borrower shall pay promptly the costs of any environmental inspections, audits, studies or investigations ("Environmental Inspections") (including but not limited to reasonable fees and expenses of attorneys and consultants, whether incurred in connection with any judicial or administrative process or otherwise) and the removal of any Hazardous Materials from the Property required by Lender as a condition of its consent to any sale or transfer under paragraph G hereof of all or any part of the Property or any transfer occurring upon a foreclosure or a deed in lieu of foreclosure or any interest therein, or required by Lender following a reasonable determination by Lender that there may be Prohibited Activities or Conditions on or under the Property. Borrower authorizes Lender and its employees, agents and contractors to enter onto the Property for the purpose of conducting such environmental audits, studies and investigations. Any such costs and expenses incurred by Lender (including but not limited to fees and expenses of attorneys and consultants, whether incurred in connection with any judicial or administrative process or otherwise) which Borrower fails to pay promptly shall become immediately due and payable and shall become additional indebtedness secured by the Instrument pursuant to Uniform Covenant 8 of the Instrument. . The results of all Environmental Inspections made by Lender shall at all times remain the property of Lender and Lender shall have no obligation to disclose or otherwise make available to Borrower or any other party such results or any other information obtained by Lender in connection with its Environmental Inspections. Lender hereby reserves the right, and Borrower hereby expressly authorizes Lender, to make available to any party, including any prospective bidder at a foreclosure sale of the Property, the results of any Environmental Inspections made by Lender with respect to the Property. Borrower consents to Lender notifying any party (either as part of a notice of sale or otherwise) of the results of any of Lender's Environmental Inspections. Borrower acknowledges that Lender cannot control or otherwise assure the truthfulness or accuracy of the results of any of its Environmental Inspections and that the release of such results to prospective bidders at a foreclosure sale of the Property may have a material and adverse effect upon the amount which a party may bid at such sale. Borrower agrees that Lender shall have no liability whatsoever as a result of delivering the results of any of its Environmental Inspections to any third party, and Borrower hereby releases and forever discharges Lender from any and all claims, damages, or causes of action, arising out of, connected with or incidental to the results of, the delivery of any of Lender's Environmental Inspections.

If any investigation, site monitoring, containment, clean-up, restoration or other remedial work ("Remedial Work") is necessary to comply with any Hazardous Materials Law or order of any Governmental Authority that has or acquires jurisdiction over the Property or the use, operation or improvement of the Property under any Hazardous Materials Law, Borrower shall, by the earlier of (1) the applicable deadline required by Hazardous Materials Law or (2) 30 days after notice from Lender demanding such action, begin performing the Remedial Work, and thereafter diligently prosecute it to completion, and shall in any event complete the work by the time required by applicable Hazardous Materials Law. If Borrower fails to begin on a timely basis or diligently prosecute any required Remedial Work, Lender may, at its option, cause the

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Remedial Work to be completed, in which case Borrower shall reimburse Lender on demand for the cost of doing so. Any reimbursement due from Borrower to Lender shall become part of the Indebtedness as provided in Section 12.

Borrower shall hold harmless, defend and indemnify Lender and its officers, directors, trustees, employees, and agents from and against all proceedings (including but not limited to Government Actions), claims, damages, penalties, costs and expenses (including without limitation fees and expenses of attorneys and expert witnesses, investigatory fees, and cleanup and remediation expenses, whether or not incurred within the context of the judicial process), arising directly or indirectly from (i) any breach of any representation, warranty, or obligation of Borrower contained in this paragraph E or (ii) the past, present or future presence, leaking, escaping, emanation or migration (in each case, whether actual or alleged) of Hazardous Materials at, on or under the Property or any past, present or future use, generation, treatment, storage, discharge, disposal, release, spill, pumping, injection or dumping (in each case, whether actual or alleged) of any Hazardous Materials by Borrower or any other party at, on or under the Property, or any other past, present or future acts or activities conducted or conditions created at, on or under the Property by Borrower or any other party or (iii) any past, present or future actual or alleged noncompliance with any Hazardous Materials Laws by Borrower or any other party in respect of the Property.

Counsel selected by Borrower to defend Indemnitees shall be subject to the approval of those Indemnitees. However, any Indemnitee may elect to defend any claim or legal or administrative proceeding at the Borrower's expense.

Borrower shall not, without the prior written consent of those Indemnitees who are named as parties to a claim or legal or administrative proceeding (a "Claim"), settle or compromise the Claim if the settlement (1) results in the entry of any judgment that does not include as an unconditional term the delivery by the claimant or plaintiff to Lender of a written release of those Indemnitees, satisfactory in form and substance to Lender; or (2) may materially and adversely affect Lender, as determined by Lender in its discretion.

The term "Hazardous Materials," for purposes of this paragraph E, includes petroleum and petroleum products and compounds containing them, including gasoline, diesel fuel and oil; explosives, flammable materials, radioactive materials (excluding radioactive materials in smoke detectors), polychlorinated biphenyls and compounds containing them, lead and lead-based paint, asbestos in any form that is or could become friable, underground or above-ground storage tanks, whether empty or containing any substance; hazardous waste, toxic or hazardous substances or other related materials whether in the form of a chemical, element, compound, solution, mixture or otherwise including, but not limited to, any substance that requires special handling, those materials defined as "hazardous substances," "extremely hazardous substances," hazardous chemicals," "hazardous materials," "toxic substances," "solid waste," "toxic chemicals," air pollutants," "toxic pollutants," "hazardous wastes," "extremely hazardous waste," or "restricted hazardous waste" by Hazardous Materials Law or regulated by Hazardous Materials Law in any manner whatsoever.

Borrower shall, at its own cost and expense, do all of the following:

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(1) pay or satisfy any judgment or decree that may be entered against any Indemnitee or Indemnitees in any legal or administrative proceeding incident to any matters against which Indemnitees are entitled to be indemnified under this Section 6B;

(2) reimburse Indemnitees for any expenses paid or incurred in connection with any matters against which Indemnitees are entitled to be indemnified under this Section 6B; and

(3) reimburse Indemnitees for any and all expenses, including fees and out-of-pocket expenses of attorneys and expert witnesses, paid or incurred in connection with the enforcement by Indemnitees of their rights under this Section 6B, or in monitoring and participating in any legal or administrative proceeding.

In any circumstances in which the indemnity under this Section 6B applies, Lender may employ its own legal counsel and consultants to prosecute, defend or negotiate any claim or legal or administrative proceeding and Lender, with the prior written consent of Borrower (which shall not be unreasonably withheld, delayed or conditioned), may settle or compromise any action or legal or administrative proceeding. Borrower shall reimburse Lender upon demand for all costs and expenses incurred by Lender, including all costs of settlements entered into in good faith, and the fees and out-of-pocket expenses of such attorneys and consultants.

The provisions of this Section 6B shall be in addition to any and all other obligations and liabilities that Borrower may have under applicable law or under other Loan Documents, and each Indemnitee shall be entitled to indemnification under this Section 6B without regard to whether Lender or that Indemnitee has exercised any rights against the Property or any other security, pursued any rights against any guarantor, or pursued any other rights available under the Loan Documents or applicable law. If Borrower consists of more than one person or entity, the obligation of those persons or entities to indemnify the Indemnitees under this Section 6B shall be joint and several. The obligation of Borrower to indemnify the Indemnitees under this Section 6B shall survive any repayment or discharge of the Indebtedness, any foreclosure proceeding, any foreclosure sale, any delivery of any deed in lieu of foreclosure, and any release of record of the lien of this Instrument.

The term "Hazardous Materials Law," for the purposes of this Section 6B, means all federal, state, and local laws, ordinances and regulations and standards, rules, policies and other binding governmental requirements and any court judgments, now or hereafter in existence, applicable to Borrower or to the Property relating to industrial hygiene or to environmental or unsafe conditions or to human health including, but not limited to, those relating to the generation, manufacture, storage, handling, transportation, disposal, release, emission or discharge of Hazardous Materials, those in connection with the construction, fuel supply, power generation and transmission, waste disposal or any other operations or processes relating to the Property, and those relating to the atmosphere, soil, surface and ground water, wetlands, stream sediments and vegetation on, under, in or about the Property. Hazardous Materials Laws include, but are not limited to, the Comprehensive

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Environmental Response, Compensation and Liability Act, 42 U.S.C. Section 9601, *et seq.*, the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, *et seq.*, the Toxic Substance Control Act, 15 U.S.C. Section 2601, *et seq.*, the Clean Water Act, 33 U.S.C. Section 1251, *et seq.*, and the Hazardous Materials Transportation Act, 49 U.S.C. Section 5101, and their state analogs.

The representations, warranties, covenants, agreements, indemnities and undertakings of Borrower contained in this paragraph E shall be in addition to any and all other obligations and liabilities that Borrower may have to Lender under applicable Requirements.

The representations, warranties, covenants, agreements, indemnities and undertakings of Borrower contained in this Section 6B shall continue and survive notwithstanding the satisfaction, discharge, release, assignment, termination, subordination or cancellation of the Instrument or the payment of all sums payable and the performance of all obligations owing under the Notes and the Master Agreement and the payment of all other sums payable under the Loan Documents or the foreclosure of the Instrument or the tender or delivery of a deed in lieu of foreclosure or the release of any portion of the Property from the lien of the Instrument, except with respect to any Prohibited Activities or Conditions or violation of any of the Hazardous Materials Laws which first commences and occurs after the satisfaction, discharge, release, assignment, termination or cancellation of the Instrument following the payment in full of all sums payable under the Notes and the Master Agreement and the performance in full of all obligations owing under the Master Agreement and all other sums payable under the Loan Documents or which first commences or occurs after the actual dispossession from the entire Property of the Borrower and all entities which control, are controlled by, or are under common control with the Borrower (each of the foregoing persons or entities is hereinafter referred to as a "Responsible Party") following foreclosure of the Instrument or acquisition of the Property by a deed in lieu of foreclosure. Nothing in the foregoing sentence shall relieve the Borrower from any liability with respect to any Prohibited Activities or Conditions or violation of Hazardous Materials Laws where such Prohibited Activities or Conditions or violation of Hazardous Materials Laws commences or occurs, or is present as a result of, any act or omission by any Responsible Party or by any person or entity acting on behalf of a Responsible Party.

F. Condemnation

Uniform Covenant 11 of the Instrument ("Condemnation") is amended to add the following provision at the end thereof:

> Notwithstanding the foregoing, in the event of any condemnation claim(s) in connection with any condemnation or other taking that, in the aggregate, is less than Two Hundred Thousand and 00/100 Dollars ($200,000.00), Lender agrees, provided that no Event of Default has occurred and is continuing, to waive its right to act as Borrower's attorney-in-fact (as set forth in the second sentence of Uniform Covenant 11) upon the condition that Borrower (i) shall give prompt written notice thereof to Lender and (ii) shall diligently and continuously prosecute such claim to completion. In the event

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of any condemnation claim(s) in connection with any condemnation or other taking that, in the aggregate, is in excess of Two Hundred Thousand and 00/100 Dollars ($200,000.00), Lender agrees that it shall not exercise its right to act as Borrower's attorney-in-fact if Borrower deposits with Lender an amount equal to one hundred and fifty percent (150%) of the aggregate amount of such claims in the form of cash or a letter of credit, which letter of credit shall be in form and substance satisfactory to Lender and shall be issued by a bank acceptable to Lender, as security for the prompt and diligent prosecution by Borrower of the prosecution of such condemnation claim(s). The letter of credit or such funds shall be retained by the Lender until either (x) the application of the condemnation proceeds to the amounts secured hereby, as aforesaid, or (y) the completion of any reconstruction, if the Lender shall have determined to so apply such proceeds.

G. Transfers of the Property or Significant Interests in Borrower.

Uniform Covenant 19 of the Instrument ("Transfers of the Property or Beneficial Interests in Borrower, Assumption") is amended to read as set forth below:

Transfers of the Property or Interests in Borrower or Change of Control.

(a) Acceleration of the Loan Upon Transfers of the Property or Interests in Borrower or Change of Control

Subject to clause (c) hereof, Lender may, at Lender's option, declare all sums secured by the Instrument immediately due and payable and Lender may invoke any remedies permitted by paragraph 27 of the Instrument if, without Lender's prior written consent, any of the following shall occur:

(1) a Transfer; or

(2) a Change of Control.

(b) Definitions

For purposes of the Multifamily Instrument, the following terms have the respective meanings set forth below:

(1) The term "Transfer" means (i) a sale, assignment, pledge, transfer or other disposition (whether voluntary or by operation of law) of, or the granting or creating of a lien, encumbrance or security interest in, any of Borrower's estate, rights, title or interest in the Property, or any portion thereof, or (ii) a sale, assignment, pledge, transfer or other disposition of any interest in Borrower or in the General Partner, or in the Management Partnership or (iii) the issuance or other creation of new ownership interests in Borrower, the General Partner or the Management Partnership or any other partnership, corporation, real estate investment trust or other entity that has a direct or indirect ownership interest in Borrower, or (iv) a merger or

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consolidation of Borrower, the General Partner or the Management Partnership into another entity or of another entity into Borrower, the General Partner, or the Management Partnership or (v) the reconstitution of Borrower, the General Partner or the Management Partnership from one type of entity to another type of entity.

(2) A "Change of Control" shall mean the earliest to occur of: (a) the date on which the General Partner ceases for any reason whatsoever to be the sole general partner of Borrower or to own at least 25% of the outstanding equity, profits or other limited partnership interests in Borrower, or (b) [reserved], or (c) the date on which the Borrower or General Partner or any subsidiary of Borrower or General Partner shall cease for any reason to be the sole general partner of the Management Partnership or to own at least 99% of the equity, profits or other limited partnership interests in, or Voting Equity Capital (or any other securities or ownership interests) of, the Management Partnership, or (d) the replacement (other than solely by reason of retirement at age sixty-five or older, death or disability) of more than 50% (or such lesser percentage as is required for decision-making by the board of directors or an equivalent governing body) of the members of the board of directors of the General Partner over a one-year period from the directors who constituted such board of directors at the beginning of such period and such replacement shall not have been approved by a vote of at least a majority of the board of directors of the General Partner, as applicable, then still in office who either were members of such board of directors at the beginning of such one-year period or whose election as members of the board of directors was previously so approved (it being understood and agreed that in the case of any entity governed by a trustee, board of managers, or other similar governing body, the foregoing clause (d) shall apply thereto by substituting such governing body and the members thereof for the board of directors and members thereof, respectively).

(3) A "Person" shall mean an individual, an estate, a trust, a corporation, a partnership, a limited liability company or any other organization or entity (whether governmental or private).

(4) "Security" shall have the same meaning as in Section 2(1) of the Securities Act of 1933, as amended.

(5) "Voting Equity Capital" shall mean Securities or partnership interests of any class or classes, the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the board of directors (or Persons performing similar functions).

(6) "Management Partnership" shall mean Colonial Properties Services Limited Partnership, an Alabama limited partnership, 99% of the equity and profits interests in which are owned by the Borrower, and the sole general partner of which is the Borrower.

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(7) "General Partner" shall mean Colonial Properties Trust, an investment trust qualifying as a real estate investment trust organized and existing under the laws of the State of Alabama.

(c) No Acceleration of the Loan For Transfers Caused By Certain Events

Notwithstanding the foregoing provisions of this covenant, Lender shall not be entitled to declare sums secured by the Multifamily Instrument immediately due and payable or to invoke any remedy permitted by paragraph 27 of the Instrument solely upon the occurrence of any of the following:

(1) A Transfer that occurs by inheritance, devise, or bequest or by operation of law upon the death of a natural person who is an owner of the Property or the owner of a direct or indirect ownership interest in the Borrower.

(2) The grant of a leasehold interest in individual dwelling units for a term of two years or less and leases for commercial uses provided that (i) commercial leases do not exceed five percent (5%) of (A) the rentable space of the Property (measured as required by Lender) and (B) the rental income from the Property, (ii) all such commercial leasehold interests (A) do not contain an option to purchase the Property, (B) do not adversely affect the value of the Property and (C) are coincidental to the current use of the Property for multifamily residential purposes.

(3) A sale or other disposition of obsolete or worn out personal property which is contemporaneously replaced by comparable personal property of equal or greater value which is free and clear of liens, encumbrances and security interests other than those created by the Loan Documents.

(4) The creation of a mechanic's or materialmen's lien or judgment lien against the Property which is released of record or otherwise remedied to Lender's satisfaction, within 30 days of the date of creation,

(5) The grant of an easement, if prior to the granting of the easement the Borrower causes to be submitted to Lender all information required by Lender to evaluate the easement, and if Lender consents to such easement based upon Lender's determination that the easement will not materially affect the operation of the Property or Lender's interest in the Property and Borrower pays to Lender, on demand, all costs and expenses incurred by Lender in connection with reviewing Borrower's request. Lender shall not unreasonably withhold its consent to or withhold its agreement to subordinate the lien of the Multifamily Instrument to (i) the grant of a utility easement serving the Property to a publicly operated utility, or (ii) the grant of an easement related to expansion or widening of roadways, provided that any such easement is in form and substance reasonably acceptable to Lender and

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does not materially and adversely affect the access, use or marketability of the Property.

(6) The Transfer of shares of common stock or other beneficial or ownership interests or other forms of securities in the General Partner, and the issuance of all varieties of convertible debt, equity and other similar securities of the General Partner, and the subsequent Transfer of such securities; provided, however, that no Change of Control occurs as a result of such Transfer, either upon such Transfer or upon the subsequent conversion to equity of such convertible debt or other securities.

(7) The Transfer of limited partnership interests by the limited partners of Borrower, including, without limitation, the conversion or exchange of limited partnership interests in Borrower to shares of common stock or other beneficial or ownership interests or other forms of securities in the General Partner; provided, however, that no Change of Control occurs as the result of such Transfer.

(8) The issuance by Borrower of additional limited partnership units or convertible debt, equity and other similar securities, and the subsequent Transfer of such units or other securities; provided, however, that no Change of Control occurs as the result of such Transfer, either upon such Transfer or upon the subsequent conversion to equity of such convertible debt or other securities.

(9) A merger with or acquisition of another entity by Borrower or General Partner provided that (x) Borrower or the General Partner, as the case may be, is the surviving entity after such merger or acquisition, (y) no Change of Control occurs, and (z) such merger or acquisition does not result in a Default or Event of Default, as such terms are defined under the Master Agreement.

H. Notice

Uniform Covenant 20 of the Instrument ("Notice") is amended to read as follows:

All notices, directions, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when sent by certified or registered mail, return receipt requested or by overnight courier, addressed to the appropriate notice address set forth below. Any of the parties hereto may, by such notice described above, designate any further or different address to which subsequent notices, certificates or other communications shall be sent without any requirement or execution of any amendment to this Instrument. Any such notice, certificate or communication shall be deemed to have been given as of the date of actual delivery or the date of failure to deliver by reason of refusal to accept delivery or changed address of which no notice was given pursuant to this Uniform Covenant 20. The notice addresses are as follows:

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(1) if to Borrower:

Colonial Realty Limited Partnership
2101 6th Avenue North, Suite 750
Birmingham, Alabama 35203

(2) if to Lender:

Wachovia Multifamily Capital, Inc.
7255 Woodmont Avenue
Suite 200
MD 1002-002
Bethesda, MD 20814
Attn: Philip Spellberg

or (3) in any of the foregoing cases, at such other address as the addressee may hereafter specify for the purpose in a notice to the other party specifically captioned "Notice of Change of Address pursuant to Uniform Covenant 20 of the Instrument."

Borrower and Lender each agrees that it will not refuse or reject delivery of any notice given hereunder, that it will acknowledge, in writing, the receipt of the same upon request by the other party and that any notice rejected or refused by it shall be deemed for all purposes of this Agreement to have been received by the rejecting party on the date so refused or rejected, as conclusively established by the records of the U.S. Postal Service or the courier service.

I. Governing Law

The Borrower and Lender covenant and agree as follows:

(a) Choice of Law

The validity of the Multifamily Instrument, each of its terms and provisions, and the rights and obligations of Borrower under the Multifamily Instrument, shall be governed by, interpreted, construed, and enforced pursuant to and in accordance with the laws of the District of Columbia without regard to the conflicts of law principles, except to the extent that Federal laws may govern; provided, however, that matters respecting the creation, perfection, priority and foreclosure of the liens on and security interests in the Property created by this Instrument shall be governed by, and construed and enforced in accordance with, the internal laws of the Property Jurisdiction without giving effect to the conflicts of law principles of such Property Jurisdiction.

(b) Consent to Jurisdiction

(i) Borrower hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any District of Columbia court or Federal court of the United States of America sitting in the

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District of Columbia and any court of the Property Jurisdiction or Federal court of the United States of America sitting in the Property Jurisdiction, and any appellate court from any thereof, in any action or proceeding arising out of or relating to the Multifamily Instrument or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such District of Columbia court or Property Jurisdiction court or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in the Multifamily Instrument shall affect any right that Lender may otherwise have to bring any action or proceeding relating to the Multifamily Instrument in the courts of any jurisdiction.

(ii) Borrower hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to the Multifamily Instrument in any District of Columbia court or Property Jurisdiction or Federal court. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(iii) Borrower and Lender each irrevocably consents to service of process in the manner provided for notices in paragraph H above. Nothing in the Multifamily Instrument will affect the right of Lender or Borrower to serve process in any other manner permitted by law.

J. Acceleration; Remedies

Covenant 27 of the Instrument ("Acceleration; Remedies") is amended to add the following at the end of the first paragraph:

Upon the occurrence and continuation of an Event of Default, Lender, at Lender's option, may, in addition to any remedies specified in this covenant, invoke any other remedies provided in any Ancillary Collateral Agreement or the Master Agreement.

If Borrower is in default under any promissory note (other than the Notes) evidencing a loan (the "Subordinate Loan") secured by a security instrument (other than the Instrument) covering all or any portion of the Property (the "Subordinate Instrument") or under any Subordinate Instrument or other loan document executed in connection with the Subordinate Loan, (and whether or not the Borrower has obtained the prior approval of Lender to the placement of such Subordinate Instrument on the Property) which default remains uncured after any applicable cure period, such default shall be deemed

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to be an Event of Default. In that event, the outstanding principal balance of any of the Notes and the entire amount of unpaid sums owing under the Master Agreement, accrued interest and any other sums due Lender secured by the Instrument, then will become due and payable, at Lender's option. If Lender exercises this option to accelerate, Lender will do so in accordance with the provisions of the Notes, the Master Agreement and the Instrument, and Lender may invoke any and all remedies permitted by applicable law, the Notes, the Master Agreement, the Multifamily Instrument, the Other Security Instruments or any of the other Loan Documents.

K. Cross Collateralization and Cross Default.

The Borrower and Lender covenant and agree as follows:

(a) Cross Collateralization. (i) In addition to the Property described on Exhibit A attached hereto, Borrower also owns additional multifamily properties securing amounts owing under the Notes and the Master Agreement. Such properties securing amounts owing under the Notes and the Master Agreement as of the date hereof and in the future, together with the Property, are referred to herein collectively as the "Borrower's Projects." As a condition of the funding of Advances (as defined in the Master Agreement) by Lender, the amounts owing under the Master Agreement are also being secured by the Other Security Instruments granted by Borrower and recorded against each of the other Borrower's Projects. Notwithstanding the Allocable Facility Amount assigned to any of the Borrower's Projects, Lender may recover an amount equal to the full amount due and owing under the Master Agreement and the Notes in connection with the foreclosure or exercise of its remedies under this Instrument, and any such amount shall be applied as determined by Lender in its sole and absolute discretion. In the event of an Event of Default under the Master Agreement or a Security Instrument with respect to any one of the Borrower's Projects, Lender shall have the right, in its sole and absolute discretion, to exercise and perfect any and all rights in and under the Loan Documents with regard to any or all of the other Borrower's Projects. The Security Instruments granted by Borrower and recorded against each of the other Borrower's Projects as of the date of this Instrument are identified on Schedule 1 attached to the Instrument.

(ii) The Borrower acknowledges that the Lender is unwilling to fund any Advances unless the Borrower agrees that all of the Borrower's Projects will be treated as a single project through the imposition of cross-collateralization, cross-default and release provisions.

(iii) The Borrower hereby agrees and consents that as additional security to Lender, each of the Borrower's Projects shall be subject to the lien of a Security Instrument for each of the other Borrower's Projects, and that each of the Borrower's Projects shall collateralize the other Borrower's Projects as follows: all Property (as defined in the respective Security Instrument) for each of the Borrower's Projects shall be considered part of the "Property" under this Instrument, and shall be collateral under this Instrument and the Loan Documents.

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(b) Cross Default. The Borrower hereby agrees and consents that if an Event of Default occurs under the Master Agreement or a Security Instrument securing one of the Borrower's Projects, then an Event of Default shall exist under the Security Instrument, if any, with respect to the other Borrower's Projects and the Master Agreement. No notice shall be required to be given to the Borrower in connection with such Event of Default. In the event of an Event of Default under the Master Agreement or a Security Instrument with respect to any one of the Borrower's Projects, Lender shall have the right, in its sole and absolute discretion, to exercise and perfect any and all rights in and under the Loan Documents with regard to any or all of the other Borrower's Projects, including but not limited to, an acceleration of one or all of the Notes and the sale of one or all of the Borrower's Projects in accordance with the terms of the respective Security Instruments. No notice, except as may be required by the respective Security Instrument, shall be required to be given to the Borrower in connection with the Lender's exercise of any and all of its rights after an Event of Default has occurred.

L. Non-Recourse Liability

Subject to the provisions of paragraph M and notwithstanding any other provision in the Master Agreement or the Multifamily Instrument, the personal liability of Borrower or the General Partner or any guarantor or any other Person liable through or in respect of Borrower to pay the principal of and interest on the debt evidenced by the Notes, the Master Agreement and any other agreement evidencing Borrower's obligations under the Master Agreement and the Multifamily Instrument shall be limited to (1) the real and personal property described as the "Property" in the Multifamily Instrument, (2) the personal property described in and pledged under any Ancillary Collateral Agreement executed in connection with the loan evidenced by the Master Agreement, (3) the rents, profits, issues, products and income of the Property received or collected by or on behalf of Borrower (the "Rents and Profits") to the extent such receipts are necessary, first, to pay the reasonable expenses of operating, managing, maintaining and repairing the Property, including but not limited to real estate taxes, utilities, assessments, insurance premiums, repairs, replacements and ground rents, if any (the "Operating Expenses") then due and payable as of the time of receipt of such Rents and Profits, and then, to pay the principal, interest and other sums then due and payable under the Master Agreement, and any other sums due under the Multifamily Instrument (including but not limited to deposits or reserves due under any Ancillary Collateral Agreement), except to the extent that Borrower did not have the legal right, because of a bankruptcy, receivership or similar judicial proceeding, to direct the disbursement of such sums.

Except as provided in paragraph M, Lender shall not seek (a) any judgment for a deficiency against Borrower or the General Partner or the General Partner's or any guarantor or any other Person liable through or in respect of Borrower, or their respective successors or assigns, or the partners, officers, directors, shareholders or agents of Borrower or the General Partner in any action to enforce any right or remedy under the Multifamily Instrument, or (b) any judgment on the Master Agreement except as may be necessary in any action brought under the Multifamily Instrument to enforce the lien against the Property or to exercise any remedies under any Ancillary Collateral Agreement.

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M. Exceptions to Non-Recourse Liability

(a) If, without obtaining Lender's prior written consent, (i) a Transfer or a Change of Control shall occur which, pursuant to Uniform Covenant 19 of the Multifamily Instrument or paragraph G hereof, gives Lender the right, at its option, to declare all sums secured by the Multifamily Instrument immediately due and payable, or (ii) Borrower shall encumber the Property with any lien in connection with any financing by Borrower, any of such events shall constitute a default by Borrower under the Master Agreement, the Multifamily Instrument and the other Loan Documents and if such event shall continue for 30 days, paragraph L shall not apply from and after the date which is 30 days after such event and the Borrower and any guarantor or other Person liable through or in respect of Borrower (each individually on a joint and several basis if more than one) shall be personally liable on a joint and several basis for full recourse liability for all of the Borrower's obligations under the Master Agreement and the Multifamily Instrument. In addition, the Borrower and any guarantor or other Person liable through or in respect of Borrower (each individually on a joint and several basis if more than one), shall be personally liable on a joint and several basis (x) for full recourse liability under any indemnification obligations contained in Uniform Covenant 6B or in any other section of the Multifamily Instrument or the Master Agreement, and (y) for full recourse liability for all obligations under the Master Agreement and the other Loan Documents but only to the extent that Borrower shall fail at any time to deposit any Rents and Profits as provided in and in accordance with the terms and provisions of the Cash Management Agreement.

(b) Notwithstanding paragraph L, Borrower and any guarantor or other Person liable through or in respect of Borrower (each individually on a joint and several basis if more than one) shall be personally liable on a joint and several basis, for and shall indemnify and hold Lender harmless from any loss, damage, cost or expense (including but not limited to attorneys' fees, other than the internal overhead expenses of the Lender, such as salaries and other compensation of employees) incurred or suffered by Lender resulting from (A) fraud or intentional misrepresentation by Borrower or Borrower's officers, agents, employees, or the Key Principals in connection with (i) the execution and delivery of the Multifamily Instrument, the Notes, the Master Agreement, or any other a greement executed and delivered by Borrower in connection herewith or therewith, (ii) the transactions contemplated under the Multifamily Instrument or the Master Agreement, or (iii) complying with any of Borrower's obligations under the Multifamily Instrument or the Master A greement, (B) insurance p roceeds, condemnation a wards, s ecurity d eposits from tenants or other sums or payments received by or on behalf of Borrower in its capacity as owner of the Property not being applied in accordance with the provisions of t he M ultifamily Instrument (except t o t he e xtent t hat Borrower d id n ot h ave t he legal right, because-of a bankruptcy, receivership or judicial proceeding, to direct disbursement of such sums or payments), (C) all Rents and Profits (except to the extent that Borrower did not have the legal right, because of a bankruptcy, receivership or similar judicial proceeding, to direct the disbursement of such sums), not being applied, first, to the payment of the reasonable Operating Expenses as such Operating

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Expenses become due and payable, and then, to the payment of all amounts then due and payable pursuant to the Master Reimbursement Agreement, then to the payment of principal and interest then due and payable under the Notes and all other sums due under the Multifamily Instrument, the Master Agreement and the other Loan Documents (including but not limited to deposits or reserves payable under any Ancillary Collateral Agreement) (provided, however, that it is expressly understood that the priorities set forth in this clause (C) shall be calculated on the basis of Borrower's fiscal year and shall not be deemed to require application of cash on a more frequent basis then annually for each fiscal year in such order of priority), (D) Borrower's failure following an Event of Default hereunder, to deliver to Lender on demand all Rents and Profits, security deposits (except to the extent that Borrower did not have the legal right because of a bankruptcy, receivership or similar judicial proceeding to direct disbursement of such sums), and books and records relating to the Property, and (E) any representation or warranty made by Borrower herein, or any other Loan Document or in any instrument furnished by Borrower in compliance with or in reference to any of the foregoing is false or misleading.

(c) No provision of paragraphs L or M shall (i) release or reduce the debt or obligations evidenced by the Master Agreement, (ii) impair the right of Lender to enforce the provisions of paragraph D of the Rider, (iii) impair the lien of the Multifamily Instrument or (iv) impair the right of Lender to enforce the provisions of any Ancillary Collateral Agreement.

(d) Notwithstanding anything to the contrary contained in clause (C) of subsection (b) above, Borrower or the General Partner or any guarantor or any other person liable through or in respect of Borrower shall have no liability for Rents and Profits from the Property which were expended or distributed in any fiscal year, provided that Borrower paid the Operating Expenses, all capital expenditures during such fiscal year, all amounts due under this Multifamily Instrument, the Notes, the Master Agreement and the other Loan Documents and all other permitted debt service relating to the Property for that fiscal year.

N. Waiver of Jury Trial

Borrower (i) covenants and agrees not to elect a trial by jury with respect to any issue arising under any of the Loan Documents triable by a jury and (ii) waives any right to trial by jury to the extent that any such right shall now or hereafter exist. This waiver of right to trial by jury is given, knowingly and voluntarily with the benefit of competent legal counsel by Borrower, and this waiver is intended to encompass individually each instance and each issue as to which the right to a jury trial would otherwise accrue. Further, Borrower hereby certifies that no representative or agent of Lender (including, but not limited to, Lender's counsel) has represented, expressly or otherwise, to Borrower that Lender will not seek to enforce the provisions of this paragraph N.

BY SIGNING AND SEALING BELOW, Borrower accepts and agrees to the covenants and agreements contained in this Rider.

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BORROWER:

COLONIAL REALTY LIMITED
PARTNERSHIP

By: Colonial Properties Trust, its sole general partner

By: _____
Name: Jerry A. Brewer
Title: Senior Vice President

Borrower's Address:

P.O. Box 11687 (35202-1687)
2101 Sixth Avenue North
Suite 750
Birmingham, Alabama 35203

CORPORATE LIMITED PARTNERSHIP ACKNOWLEDGEMENT

STATE OF ALABAMA:
Jefferson County:

On this 14th day of June, 2005, I, Brandi Singleton a Notary Public in and for said county and in said state, hereby certify that Jerry A. Brewer, whose name as Senior Vice President of Colonial Properties Trust, a trust organized under the laws of Alabama, general partner of Colonial Realty Limited Partnership, is signed to the foregoing conveyance, and who is known to me, acknowledged before me that, being informed of the contents of the conveyance, he, as such officer of said general partner and with fully authority, executed the same voluntarily for and as the act of said limited partnership on the day same bears date.

Given under my hand and seal of office.

My commission expires:

3-30-08 _____
Notary Public

This instrument was prepared by David L. Dubrow, Esq., 1675 Broadway, New York, NY 10019.

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SPECIAL RIDER TO THIRD MULTIFAMILY INSTRUMENT

THIS SPECIAL RIDER TO THIRD MULTIFAMILY INSTRUMENT (this "Special Rider") is made as of the 20th day of June, 2005, and is incorporated into and shall be deemed to amend and supplement the Multifamily Second Mortgage, Assignment of Rents and Security Agreement (the "Instrument") given by the undersigned, Colonial Realty Limited Partnership, a limited partnership organized and existing under the laws of Delaware, whose address is 2101 6th Avenue North, Suite 750, Birmingham, Alabama 35202-1687 (together with its permitted successors and assigns, "Borrower") to Federal National Mortgage Association and its successors and assigns ("Lender") dated as of the date as this Special Rider, as amended and supplemented by a Rider to Multifamily Instrument (the "Rider") dated as of the date as this Special Rider (the Instrument, as amended by the Rider to Multifamily Instrument, this Special Rider, any other riders to the Instrument and any future riders or amendments to the Instrument, is referred to as the "Multifamily Instrument"). The Master Credit Facility Agreement between Borrower and Wachovia Multifamily Capital, Inc., dated as of the date hereof together with all renewals, extensions, amendments and modifications thereof, is hereinafter referred to collectively as the "Master Agreement". This Multifamily Instrument covers the property located at 3100 Heatherbrooke Road, Birmingham, Alabama 35242, and commonly referred to as the "Colonial Grand at Inverness", as more particularly described in the Instrument (the "Property"). The Property is located entirely within the State of Alabama.

The covenants and agreements of this Special Rider, and the covenants and agreements of any other riders to the Instrument, shall be incorporated into and shall amend and supplement the covenants and agreements of the Instrument as if the Special Rider and the other riders were a part of the Instrument, and all references to the "Multifamily Instrument" in the Loan Documents shall mean the Instrument as so amended and supplemented. Any conflict between the provisions of the Instrument (including the covenants and agreements of the Rider to Multifamily Instrument) and this Special Rider shall be resolved in favor of this Special Rider.

The Multifamily Instrument secures the Secured Obligations.

ADDITIONAL COVENANTS. In addition to the covenants and agreements made in the Instrument, Borrower and Lender further covenant and agree as follows:

I. Regulatory Agreement. Lender acknowledges and agrees that the operation of the Property is subject to certain covenants and restrictions contained in one or more Regulatory Agreements (as defined in the Master Reimbursement Agreement dated as of June 1, 1996, as amended as of the date hereof, between Borrower and Fannie Mae) and listed on Exhibit B to the Multifamily Instrument.

II. Default/Event of Default/Cross Default.

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A. A breach by Borrower in the payment or performance of any covenant, obligation or agreement under the Multifamily Instrument shall constitute a "Default" hereunder.

B. Each of the following events shall constitute an "Event of Default" hereunder, whatever the reason for such event and whether it shall be voluntary. or involuntary, or within or without the control of Borrower, or be effected by operation of law or pursuant to any judgment or order of any court or any order, rule or regulation of any governmental body, and shall entitle Lender, at its option, to invoke any of the remedies set forth in paragraphs 25 and 27 of the Multifamily Instrument or as otherwise afforded by law or equity, subject to the provisions of paragraph L and M of the Rider.

(i) The failure by Borrower to pay any amounts due and owing under the Multifamily Instrument that is not specified in clause (iii) or (iv) below.

(ii) The failure by Borrower to perform or observe any covenant, obligation or agreement under the Multifamily Instrument that is not specified in clause (iii) or (iv) below.

(iii) The failure by Borrower to perform or observe any covenant set forth in Section 6A(a)(i), 6A(a)(iv), 6A(a) (v) , 6A(b) (ii) , 6A(b) (ill), 6A(b) (iv), 7 (b) , 10 or 16 of the Multifamily Instrument and Section III of this Special Rider within thirty (30) days after receipt of notice from the Lender identifying such failure.

(iv) A default by Borrower beyond any applicable cure period, if any, in the payment or performance of any obligation of Borrower, or an "Event of Default," contained in (a) the Master Agreement, (b) any document, agreement, or instrument evidencing or securing any indebtedness or liability of Borrower in excess of $5,000,000 which, in the event such indebtedness or liability is not paid or in the event of any other default in respect thereof could result in a judgment, or lien or, levy against the Property, or any Subordinate Instrument or other agreement, document or instrument in connection with a Subordinate Loan, (c) the Regulatory Agreement, (d) any of the Other Security Instruments, or (e) any other Loan Document.

(v) The failure by Borrower to cause any judgment, attachment or other levy rendered against the Property to be discharged or bonded pending appeal within thirty (30) days from the entry thereof.

(vi) The occurrence of an "Event of Default" under the Master Reimbursement Agreement or any of the "Borrower Documents" referred to therein.

III. Leases. All leases of the residential rental housing units in the Property (i) shall (a) be legally valid, binding and enforceable obligations of the tenants, (b) comply with all applicable laws and (c) satisfy the standards of the DUS Guide in its present form and, with respect to any leases entered into or amended hereafter, as the DUS Guide shall have been amended, modified, supplemented or reissued as of the date of any such lease, and (ii) shall not contain any options to purchase, rights of first refusal or any other similar

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provisions other than rights of first refusal relating to a condominium board or similar organization's rights with respect to any condominium unit on the Property.

IV. Mortgage Expenses. If Lender pays any Mortgage Expenses (defined below), Borrower shall on demand immediately reimburse Lender for the full amount of such Mortgage Expenses paid by Lender and the amount thereof shall be added to the indebtedness secured hereby. For purposes of this paragraph IV, "Mortgage Expenses" shall mean the cost of all real estate taxes, appraisal fees, insurance fees, legal fees and any other reasonable expenses which may be required to maintain the priority of, or to protect or enforce Lender's rights in, the Multifamily Instrument, including fees and expenses of the Lender and the fees of any servicer or to maintain in full force and effect or realize the benefit of any insurance with respect to the Multifamily Instrument, and legal fees incurred in connection with any foreclosure, judicial sale or other proceeding to enforce the lien hereof.

V. Variable Rate Note. The Variable Facility Note is subject to interest rate adjustment from time to time as provided therein.

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BY SIGNING AND SEALING BELOW, the Borrower accepts and agrees to the covenants and agreements contained in this Special Rider.

BORROWER:

COLONIAL REALTY LIMITED PARTNERSHIP

By: Colonial Properties Trust, its sole general partner

By: _____
Name: Jerry A. Brewer
Title: Senior Vice President

Borrower's Address:

P.O. Box 11687 (35202-1687)
2101 Sixth Avenue North
Suite 750
Birmingham, Alabama 35203

CORPORATE LIMITED PARTNERSHIP ACKNOWLEDGEMENT

STATE OF ALABAMA:
Jefferson County:

On this 14th day of June, 2005, I, Brandi Singleton a Notary Public in and for said county and in said state, hereby certify that Jerry A. Brewer, whose name as Senior Vice President of Colonial Properties Trust, a trust organized under the laws of Alabama, general partner of Colonial Realty Limited Partnership, a limited partnership, is signed to the foregoing conveyance, and who is known to me, acknowledged before me that, being informed of the contents of the conveyance, he, as such officer of said general partner and with fully authority, executed the same voluntarily for and as the act of said limited partnership on the day same bears date.

Given under my hand and seal of office.

My commission expires:

3-30-08 _____
Notary Public

This instrument was prepared by David L. Dubrow, Esq., 1675 Broadway, New York, NY 10019.

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Special Rider to Multifamily Third Mortgage
Colonial - Inverness