

FHLMC Loan Number: 708058183
Property Name: Crestmore Village Apartment Homes



SUBORDINATION AGREEMENT

THIS SUBORDINATION AGREEMENT (this "**Agreement**") is entered into as of May 14, 2012 by and between (i) NorthMarq Capital, LLC, a Minnesota limited liability company organized and existing under the laws of the State of Minnesota (the "**Senior Mortgagee**"), and (ii) the Nevada Housing Division a division of the Department of Business and Industry of the State of Nevada (the "**Subordinate Mortgagee**").

RECITALS

A. Crestmore Village Apartments Limited Partnership, a limited partnership organized and existing under the laws of the State of Nevada ("**CVA**"), is the owner of certain land located in Douglas County, Nevada, described in Exhibit A hereto (the "**Land**"). The Land is improved with a multifamily rental housing project (the "**Improvements**"). The Land, the Improvements and related personal and other property described in the Senior Mortgage (defined herein) and defined therein constitute the "**Mortgaged Property**."

B. The Senior Mortgagee is making a loan to CVA and Crestmore Village Apartments Phase II Limited Partnership, a limited partnership organized and existing under the laws of the State of Nevada (collectively the "**Borrower**") in the original principal amount of \$2,325,000.00 (the "**Senior Loan**"), upon the terms and conditions of a certain Multifamily Loan and Security Agreement dated of even date herewith by and between the Senior Mortgagee and Borrower (the "**Senior Loan Agreement**"). The Senior Loan is secured by a Multifamily Deed of Trust, Assignment of Rents and Security Agreement dated of even date herewith (the "**Senior Mortgage**") encumbering the Mortgaged Property and additional real property owned by Borrower, which real property is more specifically described in Exhibit A of the Senior Mortgage.

C. Pursuant to a Promissory Note dated November 19, 2001 by and between CVA and the Subordinate Mortgagee (the "**Subordinate Note**"), the Subordinate Mortgagee has made a loan to CVA in the original principal amount of \$371,948.00. The loan is secured by Deed of Trust and Assignment of Rents dated November 19, 2001 (the "**Subordinate Mortgage**") encumbering the Mortgaged Property.

D. The Senior Mortgage is intended to be recorded in the official records of the office of the Recorder of Douglas County, Nevada (the "**Recording Office**"). The Subordinate Mortgage was recorded in the Recording Office on November 29, 2001 in Book 1101, Page 9318 as Instrument No. 528836.



E. The execution and delivery of this Agreement is a condition of Senior Mortgagee's making of the Senior Mortgage loan.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. **DEFINITIONS.** The following terms, when used in this Agreement (including, as appropriate, when used in the above recitals), shall have the following meanings.

(a) The terms "**Condemnation**", "**Impositions**", "**Imposition Deposits**", "**Leases**", "**Rents**" and "**Restoration**," as well as any term used in this Agreement and not otherwise defined in this Agreement, shall have the meanings given to those terms in the Senior Loan Agreement.

(b) "**Bankruptcy Proceeding**" means any bankruptcy, reorganization, insolvency, composition, restructuring, dissolution, liquidation, receivership, assignment for the benefit of creditors, or custodianship action or proceeding under any federal or state law with respect to the Borrower, any guarantor of any of the Senior Indebtedness, any of their respective properties, or any of their respective partners, members, officers, directors, or shareholders.

(c) "**Borrower**" means all persons or entities identified as "Borrower" in the second Recital of this Agreement, together with their successors and assigns, and any other person or entity who acquires title to the Mortgaged Property after the date of this Agreement; provided that the term "Borrower" shall not include the Senior Mortgagee in the event that the Senior Mortgagee may acquire title to the Mortgaged Property.

(d) "**Casualty**" means the occurrence of damage to or loss of all or any portion of the Mortgaged Property by fire or other casualty.

(e) "**Enforcement Action**" means any of the following actions taken by or at the direction of the Subordinate Mortgagee: the acceleration of all or any part of the Subordinate Indebtedness, the advertising of or commencement of any foreclosure or trustee's sale proceedings, the exercise of any power of sale, the acceptance of a deed or assignment in lieu of foreclosure or sale, the collecting of Rents, the obtaining of or seeking of the appointment of a receiver, the seeking of default interest, the taking of possession or control of any of the Mortgaged Property, the commencement of any suit or other legal, administrative, or arbitration proceeding based upon the Subordinate Note or any other of the Subordinate Loan Documents, the exercising of any banker's lien or rights of set-off or recoupment, or the exercise of any other remedial action against the Borrower, any other party liable for any of the Subordinate Indebtedness or obligated under any of the Subordinate Loan Documents, or the Mortgaged Property.



(f) **“Enforcement Action Notice”** means a written notice from the Subordinate Mortgagee to the Senior Mortgagee, given following one or more Subordinate Mortgage Default(s) and the expiration of any notice or cure periods provided for such Subordinate Mortgage Default(s) in the Subordinate Loan Documents, setting forth in reasonable detail the Subordinate Mortgage Default(s) and the Enforcement Actions proposed to be taken by the Subordinate Mortgagee.

(g) **“Loss Proceeds”** means all monies received or to be received under any insurance policy, from any condemning authority, or from any other source, as a result or any Condemnation or Casualty.

(h) **“Regulatory Agreement”** means collectively (i) the Declaration of Restrictive Covenants For Low Income Housing Tax Credits for Crestmore Village Apartments by and between CVA and Subordinate Mortgagee, dated August 28, 2000 and recorded on August 29, 2000 in Book 800, Page 5241 as Instrument No. 489199 in the Recording Office; and (ii) Agreement to Use HOME Investment Partnership Programs (HOME Funds) by and between CVA and Subordinate Mortgagee, dated October 30, 2001 and recorded November 29, 2001 in Book 1101, page 9326 as Instrument No. 528837 in the Recording Office.

(i) **“Senior Indebtedness”** means the “Indebtedness” as defined in the Senior Loan Agreement.

(j) **“Senior Loan Documents”** means the “Loan Documents” as defined in the Senior Loan Agreement.

(k) **“Senior Mortgage Default”** means any act, failure to act, event, condition, or occurrence which constitutes, or which with the giving of notice or the passage of time, or both, would constitute, an “Event of Default” as defined in the Senior Loan Agreement.

(l) **“Senior Mortgagee”** means the “Lender” as defined in the Senior Mortgage. When any other person or entity becomes the legal holder of the Senior Note, such other person or entity automatically will become the Senior Mortgagee.

(m) **“Senior Note”** means the promissory note or other evidence of the Senior Indebtedness referred to in the Senior Mortgage and any replacement thereof.

(n) **“Subordinate Indebtedness”** means all sums evidenced or secured or guaranteed by, or otherwise due and payable to the Subordinate Mortgagee pursuant to, the Subordinate Loan Documents.

(o) **“Subordinate Loan Documents”** means the Subordinate Mortgage, the Subordinate Note, the Subordinate Loan Agreement, the Regulatory Agreement, and all other documents at any time evidencing, securing, guaranteeing, or otherwise delivered in connection with the Subordinate Indebtedness, as the same may be amended from time to time.



(p) **“Subordinate Mortgage Default”** means any act, failure to act, event, condition, or occurrence which allows (but for any contrary provision of this Agreement), or which with the giving of notice or the passage of time, or both, would allow (but for any contrary provision of this Agreement), the Subordinate Mortgagee to take an Enforcement Action.

(q) **“Subordinate Mortgagee”** means the person or entity named as such in the first paragraph of this Agreement and any other person or entity who becomes the legal holder of the Subordinate Note after the date of this Agreement.

(r) **“Subordinate Note”** means the promissory note or other evidence of the Subordinate Indebtedness referred to in the Subordinate Mortgage and any replacement thereof.

(s) **“Surplus Cash”** means, with respect to any period, any revenues of the Borrower remaining after paying, or setting aside funds for paying, the following:

(A) all sums due or currently required to be paid under the Senior Loan Agreement or any other Senior Loan Document, including but not limited to any Imposition Deposits,

(B) all deposits to any replacement reserve, completion/repair reserve or other reserve or escrow required by the Senior Loan Documents that are due or currently payable, and

(C) all reasonable operating expenses of the Mortgaged Property, including but not limited to real estate taxes, insurance premiums, utilities, building maintenance, painting and repairs, management fees, payroll, administrative expenses, legal expenses and audit expenses.

2. **SUBORDINATION OF SUBORDINATE INDEBTEDNESS.**

(a) The Subordinate Indebtedness is and shall at all times continue to be subject and subordinate in right of payment to the prior payment in full of the Senior Indebtedness.

(b) Until the occurrence of a Senior Mortgage Default, the Subordinate Mortgagee shall be entitled to retain for its own account all payments made on account of the principal of and interest on the Subordinate Indebtedness in accordance with the requirements of the Subordinate Loan Documents; provided no such payment is made more than ten (10) days in advance of the due date thereof and provided further that no such payment exceeds 75% of then available Surplus Cash. However, immediately upon the Subordinate Mortgagee's receipt of notice or actual knowledge of a Senior Mortgage Default, the Subordinate Mortgagee will not accept any payments on account of the Subordinate Indebtedness, and the provisions of Section 2(c) of this Agreement shall apply. The Subordinate Mortgagee acknowledges that a Subordinate Mortgage Default constitutes a Senior Mortgage Default. Accordingly, upon the occurrence of a



Subordinate Mortgage Default, the Subordinate Mortgagee shall be deemed to have actual knowledge of a Senior Mortgage Default.

(c) If (i) the Subordinate Mortgagee receives any payment, property, or asset of any kind or in any form on account of the Subordinate Indebtedness (including, without limitation, any proceeds from any Enforcement Action) after a Senior Mortgage Default of which the Subordinate Mortgagee has actual knowledge (or is deemed to have actual knowledge as provided in 2(b) above) or has been given notice, or (ii) the Subordinate Mortgagee receives, voluntarily or involuntarily, by operation of law or otherwise, any payment, property, or asset in or in connection with any Bankruptcy Proceeding, such payment, property, or asset will be received and held in trust for the Senior Mortgagee. The Subordinate Mortgagee will promptly remit, in kind and properly endorsed as necessary, all such payments, properties, and assets to the Senior Mortgagee. The Senior Mortgagee shall apply any payment, asset, or property so received from the Subordinate Mortgagee to the Senior Indebtedness in such order, amount (with respect to any asset or property other than immediately available funds), and manner as the Senior Mortgagee shall determine in its sole and absolute discretion.

(d) Without limiting the complete subordination of the Subordinate Indebtedness to the payment in full of the Senior Indebtedness, in any Bankruptcy Proceeding, upon any payment or distribution (whether in cash, property, securities, or otherwise) to creditors (i) the Senior Indebtedness shall first be paid in full in cash before the Subordinate Mortgagee shall be entitled to receive any payment or other distribution on account of or in respect of the Subordinate Indebtedness, and (ii) until all of the Senior Indebtedness is paid in full in cash, any payment or distribution to which the Subordinate Mortgagee would be entitled but for this Agreement (whether in cash, property, or other assets) shall be made to the Senior Mortgagee.

(e) The subordination of the Subordinate Indebtedness shall continue in the event that any payment under the Senior Loan Documents (whether by or on behalf of the Borrower, as proceeds of security or enforcement of any right of set-off or otherwise) is for any reason repaid or returned to the Borrower or its insolvent estate, or avoided, set aside or required to be paid to the Borrower, a trustee, receiver or other similar party under any bankruptcy, insolvency, receivership or similar law. In such event, the Senior Indebtedness or part thereof originally intended to be satisfied shall be deemed to be reinstated and outstanding to the extent of any repayment, return, or other action, as if such payment on account of the Senior Indebtedness had not been made.

(f) In addition to the limitations set forth above, the Subordinate Mortgagee hereby agrees that the Subordinate Indebtedness shall be payable solely from 75% of Surplus Cash while the Senior Indebtedness remains outstanding.



3. SUBORDINATION OF SUBORDINATE LOAN DOCUMENTS.

(a) Each of the Subordinate Loan Documents is, and shall at all times remain, subject and subordinate in all respects to the liens, terms, covenants, conditions, operations, and effects of each of the Senior Loan Documents.

(b) The subordination of the Subordinate Loan Documents and of the Subordinate Indebtedness shall apply and continue notwithstanding (i) the actual date and time of execution, delivery, recording, filing or perfection of each of the Senior Loan Documents and of each of the Subordinate Loan Documents, and (ii) the availability of any collateral to the Senior Mortgagee, including the availability of any collateral other than the Mortgaged Property.

(c) By reason of, and without in any way limiting, the full subordination of the Subordinate Indebtedness and the Subordinate Loan Documents provided for in this Agreement, all rights and claims of the Subordinate Mortgagee under the Subordinate Loan Documents in or to the Mortgaged Property or any portion thereof, the proceeds thereof, the Leases thereof, the Rents, issues and profits therefrom, and the Loss Proceeds payable with respect thereto, are expressly subject and subordinate in all respects to the rights and claims of the Senior Mortgagee under the Senior Loan Documents in or to the Mortgaged Property or any portion thereof, the proceeds thereof, the Leases thereof, the Rents, issues and profits therefrom, and the Loss Proceeds payable with respect thereto.

(d) If the Subordinate Mortgagee, by indemnification, subrogation or otherwise, shall acquire any lien, estate, right or other interest in any of the Mortgaged Property, that lien, estate, right or other interest shall be fully subject and subordinate to the receipt by the Senior Mortgagee of payment in full of the Senior Indebtedness, and to the Senior Loan Documents, to the same extent as the Subordinate Indebtedness and the Subordinate Loan Documents are subordinate pursuant to this Agreement.

4. ADDITIONAL REPRESENTATIONS AND COVENANTS.

(a) The Subordinate Mortgagee represents and warrants that (i) the Subordinate Mortgagee is now the owner and holder of the Subordinate Loan Documents; (ii) the Subordinate Loan Documents are now in full force and effect; (iii) the Subordinate Loan Documents have not been modified or amended; (iv) no Subordinate Mortgage Default has occurred, (v) the current principal balance of the Subordinate Indebtedness is \$302,787.45; (vi) no scheduled monthly payments under the Subordinate Note have been or will be prepaid; and (vii) none of the rights of the Subordinate Mortgagee under any of the Subordinate Loan Documents are subject to the rights of any third parties, by way of subrogation, indemnification or otherwise.



(b) Without the prior written consent of the Senior Mortgagee in each instance, the Subordinate Mortgagee shall not (i) amend, modify, waive, extend, renew or replace any provision of any of the Subordinate Loan Documents; (ii) pledge, assign, transfer, convey, or sell any interest in the Subordinate Indebtedness or any of the Subordinate Loan Documents; (iii) accept any payment on account of the Subordinate Indebtedness other than a regularly scheduled payment of interest or principal and interest made not earlier than ten (10) days prior to the due date thereof or as expressly authorized in Section 4(i) below and not in excess of 75% of then available Surplus Cash; (iv) take any action which has the effect of increasing the Subordinate Indebtedness; (v) appear in, defend or bring any action to protect the Subordinate Mortgagee's interest in the Mortgaged Property; or (vi) take any action concerning environmental matters affecting the Mortgaged Property.

(c) The Subordinate Mortgagee shall deliver to the Senior Mortgagee a copy of each notice received or delivered by the Subordinate Mortgagee pursuant to the Subordinate Loan Documents or in connection with the Subordinate Indebtedness, simultaneously with the Subordinate Mortgagee's delivery or receipt of such notice. The Senior Mortgagee shall deliver to the Subordinate Mortgagee in the manner required in Section 5(b) a copy of each notice of a Senior Mortgage Default delivered to the Borrower by the Senior Mortgagee. Neither giving nor failing to give a notice to the Senior Mortgagee or Subordinate Mortgagee pursuant to this Section 4(c) shall affect the validity of any notice given by the Senior Mortgagee or Subordinate Mortgagee to the Borrower, as between the Borrower and such of the Senior Mortgagee or the Subordinate Mortgagee as provided the notice to the Borrower.

(d) Without the prior written consent of the Senior Mortgagee in each instance, the Subordinate Mortgagee will not commence, or join with any other creditor in commencing, any Bankruptcy Proceeding. In the event of a Bankruptcy Proceeding, the Subordinate Mortgagee shall not vote affirmatively in favor of any plan of reorganization or liquidation unless the Senior Mortgagee has also voted affirmatively in favor of such plan. In the event of any Bankruptcy Proceeding, the Subordinate Mortgagee shall not contest the continued accrual of interest on the Senior Indebtedness, in accordance with and at the rates specified in the Senior Loan Documents, both for periods before and for periods after the commencement of such Bankruptcy Proceedings.

(e) Whenever the Subordinate Loan Documents give the Subordinate Mortgagee approval or consent rights with respect to any matter, and a right of approval or consent with regard to the same or substantially the same matter is also granted to the Senior Mortgagee pursuant to the Senior Loan Documents or otherwise, the Senior Mortgagee's approval or consent or failure to approve or consent, as the case may be, shall be binding on the Subordinate Mortgagee. None of the other provisions of this Section 4 are intended to be in any way in limitation of the provisions of this Section 4(e).

(f) All requirements pertaining to insurance under the Subordinate Loan Documents (including requirements relating to amounts and types of coverages,



deductibles and special endorsements) shall be deemed satisfied if the Borrower complies with the insurance requirements under the Senior Loan Documents and of the Senior Mortgagee. All original policies of insurance required pursuant to the Senior Loan Documents shall be held by the Senior Mortgagee. Nothing in this Section 4(f) shall preclude the Subordinate Mortgagee from requiring that it be named as a mortgagee and loss payee, as its interest may appear, under all policies of property damage insurance maintained by the Borrower with respect to the Mortgaged Property, provided such action does not affect the priority of payment of Loss Proceeds, or that the Subordinate Mortgagee be named as an additional insured under all policies of liability insurance maintained by the Borrower with respect to the Mortgaged Property.

(g) In the event of a Condemnation or a Casualty, the following provisions shall apply:

(i) the rights of the Subordinate Mortgagee (under the Subordinate Loan Documents or otherwise) to participate in any proceeding or action relating to a Condemnation or a Casualty, or to participate or join in any settlement of, or to adjust, any claims resulting from a Condemnation or a Casualty, shall be and remain subordinate in all respects to the Senior Mortgagee's rights under the Senior Loan Documents with respect thereto, and the Subordinate Mortgagee shall be bound by any settlement or adjustment of a claim resulting from a Condemnation or a Casualty made by the Senior Mortgagee;

(ii) all Loss Proceeds shall be applied either to payment of the costs and expenses of Restoration or to payment on account of the Senior Indebtedness, as and in the manner determined by the Senior Mortgagee in its sole discretion;

(iii) in the event the Senior Mortgagee applies or releases Loss Proceeds for the purposes of Restoration of the Mortgaged Property, the Subordinate Mortgagee shall release for such purpose all of its right, title and interest, if any, in and to such Loss Proceeds. If the Senior Mortgagee holds Loss Proceeds, or monitors the disbursement thereof, the Subordinate Mortgagee shall not do so. Nothing contained in this Agreement shall be deemed to require the Senior Mortgagee to act for or on behalf of the Subordinate Mortgagee in connection with any Restoration or to hold or monitor any Loss Proceeds in trust for or otherwise on behalf of the Subordinate Mortgagee, and all or any Loss Proceeds may be commingled with any funds of the Senior Mortgagee; and

(iv) if the Senior Mortgagee elects to apply Loss Proceeds to payment on account of the Senior Indebtedness, and if the application of such Loss Proceeds results in the payment in full of the entire Senior Indebtedness, any remaining Loss Proceeds held by the Senior Mortgagee shall be paid to the Subordinate Mortgagee unless another party has asserted a claim to the remaining Loss Proceeds.



(h) The Subordinate Mortgagee shall enter into attornment and non-disturbance agreements with all tenants under commercial or retail Leases, if any, to whom the Senior Mortgagee has granted attornment and non-disturbance, on the same terms and conditions given by the Senior Mortgagee.

(i) Except as provided in this Section 4(i), and regardless of any contrary provision in the Subordinate Loan Documents, the Subordinate Mortgagee shall not collect payments for the purpose of escrowing for any cost or expense related to the Mortgaged Property or for any portion of the Subordinate Indebtedness. However, if the Senior Mortgagee is not collecting escrow payments for one or more Impositions, the Subordinate Mortgagee may collect escrow payments for such Impositions; provided that all payments so collected by the Subordinate Mortgagee shall be held in trust by the Subordinate Mortgagee to be applied only to the payment of such Impositions.

(j) Within ten (10) days after request by the Senior Mortgagee, the Subordinate Mortgagee shall furnish the Senior Mortgagee with a statement, duly acknowledged and certified setting forth the then-current amount and terms of the Subordinate Indebtedness, confirming that there exists no default under the Subordinate Loan Documents (or describing any default that does exist), and certifying to such other information with respect to the Subordinate Indebtedness as the Senior Mortgagee may request.

(k) The Senior Mortgagee may amend, waive, postpone, extend, renew, replace, reduce or otherwise modify any provisions of the Senior Loan Documents without the necessity of obtaining the consent of or providing notice to the Subordinate Mortgagee, and without affecting any of the provisions of this Agreement. Notwithstanding the forgoing, Senior Mortgagee may not modify any provision of any of the Senior Loan Documents that increases the Senior Indebtedness, except for increases in the Senior Indebtedness that result from advances made by the Senior Mortgagee to protect the security or lien priority of the Senior Mortgagee under the Senior Loan Documents or to cure defaults under the Subordinate Loan Documents.

5. DEFAULT UNDER LOAN DOCUMENTS.

(a) For a period of ninety (90) days following delivery to the Senior Mortgagee of an Enforcement Action Notice, the Senior Mortgagee shall have the right to cure any Subordinate Mortgage Default, provided if such Subordinate Mortgage Default is a non-monetary default and is not capable of being cured within such 90-day period and the Senior Mortgagee has commenced and is diligently pursuing such cure to completion, the Senior Mortgagee shall have such additional period of time as may be required to cure such Subordinate Mortgage Default or until such time, if ever, as the Senior Mortgagee (i) discontinues its pursuit of any cure and/or (ii) delivers to the Subordinate Mortgagee the Senior Mortgagee's written consent to the Enforcement Action described in the Enforcement Action Notice. The Senior Mortgagee shall not have any obligation whatsoever to cure any Subordinate Mortgage Default. The Senior Mortgagee shall not be subrogated to the rights of the Subordinate Mortgagee under the



Subordinate Loan Documents by reason of the Senior Mortgagee having cured any Subordinate Mortgage Default. However, the Subordinate Mortgagee acknowledges that all amounts advanced or expended by the Senior Mortgagee in accordance with the Senior Loan Documents or to cure a Subordinate Mortgage Default shall be added to and become a part of the Senior Indebtedness under Section 12 of the Senior Mortgage and shall be secured by the lien of, the Senior Mortgage.

(b) The Senior Mortgagee shall deliver to the Subordinate Mortgagee a copy of any notice sent by the Senior Mortgagee to the Borrower of a Senior Mortgage Default within five (5) business days of sending such notice to the Borrower. Failure of the Senior Mortgagee to send notice to the Subordinate Mortgagee shall not prevent the exercise of the Senior Mortgagee's rights and remedies under the Senior Loan Documents. The Subordinate Mortgagee shall have the right, but not the obligation, to cure any monetary Senior Mortgage Default within thirty (30) days following the date of such notice; provided, however, that the Senior Mortgagee shall be entitled during such 30-day period to continue to pursue its remedies under the Senior Loan Documents. The Subordinate Mortgagee may have up to ninety (90) days from the date of the notice to cure a non-monetary Senior Mortgage Default if, during such 90-day period, the Subordinate Mortgagee keeps current all payments required by the Senior Loan Documents. In the event that such a non-monetary Senior Mortgage Default creates an unacceptable level of risk relative to the Mortgaged Property, or the Senior Mortgagee's secured position relative to the Mortgaged Property, as determined by the Senior Mortgagee in its sole discretion, then the Senior Mortgagee may exercise during such 90-day period all available rights and remedies to protect and preserve the Mortgaged Property and the Rents, revenues and other proceeds from the Mortgaged Property. The Subordinate Mortgagee shall not be subrogated to the rights of the Senior Mortgagee under the Senior Loan Documents by reason of the Subordinate Mortgagee having cured any Senior Mortgage Default. However, the Senior Mortgagee acknowledges that all amounts paid by the Subordinate Mortgagee to the Senior Mortgagee to cure a Senior Mortgage Default shall be deemed to have been advanced by the Subordinate Mortgagee pursuant to, and shall be secured by the lien of, the Subordinate Mortgagee. Notwithstanding anything in this Section 5(b) to the contrary, the Subordinate Mortgagee's right to cure any Senior Mortgage Default will terminate immediately upon the occurrence of any Bankruptcy Proceeding.

(c) In the event of a Subordinate Mortgage Default, the Subordinate Mortgagee will not commence any Enforcement Action until ninety (90) days after the Subordinate Mortgagee has delivered to the Senior Mortgagee an Enforcement Action Notice with respect to such Enforcement Action, provided that during such 90-day period or such longer period as provided in Section 5(a), the Subordinate Mortgagee shall be entitled to seek specific performance to enforce covenants and agreements of the Borrower relating to income, rent, or affordability restrictions contained in the Regulatory Agreement, subject to the Senior Mortgagee's right to cure a Subordinate Mortgage Default set forth in Section 5(a). The Subordinate Mortgagee may not commence any other Enforcement Action, including but not limited to any foreclosure action under the Subordinate Loan Documents, until the earlier of (A) the expiration of



such 90-day period or such longer period as provided in Section 5(a) or (B) the delivery by the Senior Mortgagee to the Subordinate Mortgagee of the Senior Mortgagee's written consent to such Enforcement Action by the Subordinate Mortgagee. The Subordinate Mortgagee acknowledges that the Senior Mortgagee may grant or refuse consent to the Subordinate Mortgagee's Enforcement Action in the Senior Mortgagee's sole and absolute discretion. At the expiration of such 90-day period or such longer period as provided in Section 5(a) and subject to the Senior Mortgagee's right to cure set forth in Section 5(a), the Subordinate Mortgagee may commence any Enforcement Action. Any Enforcement Action on the part of the Subordinate Mortgagee shall be subject to the provisions of this Agreement. The Subordinate Mortgagee acknowledges that the provisions of this Section 5(c) are fair and reasonable under the circumstances, that the Subordinate Mortgagee has received a substantial benefit from the Senior Mortgagee having granted its consent to the Subordinate Mortgagee, and that the Senior Mortgagee would not have granted such consent without the inclusion of these provisions in this Agreement.

(d) The Senior Mortgagee may pursue all rights and remedies available to it under the Senior Loan Documents, at law, or in equity, regardless of any Enforcement Action Notice or Enforcement Action by the Subordinate Mortgagee. No action or failure to act on the part of the Senior Mortgagee in the event of a Subordinate Mortgage Default or commencement of an Enforcement Action shall constitute a waiver on the part of the Senior Mortgagee of any provision of the Senior Loan Documents or this Agreement.

(e) In the event that the Enforcement Action taken by the Subordinate Mortgagee is the appointment of a receiver for any of the Mortgaged Property, all of the Rents, issues, profits and proceeds collected by the receiver shall be paid and applied by the receiver solely to and for the benefit of the Senior Mortgagee until the Senior Indebtedness shall have been paid in full.

(f) The Subordinate Mortgagee hereby expressly consents to and authorizes the release by the Senior Mortgagee of all or any portion of the Mortgaged Property from the lien, operation, and effect of the Senior Loan Documents. The Subordinate Mortgagee hereby waives to the fullest extent permitted by law, all equitable or other rights it may have (i) in connection with the release of all or any portion of the Mortgaged Property, or (ii) to require the separate sale of any portion of the Mortgaged Property or (iii) to require the Senior Mortgagee to exhaust its remedies against all or any portion of the Mortgaged Property or any combination of portions of the Mortgaged Property or any other collateral for the Senior Indebtedness, or (iv) to require the Senior Mortgagee to proceed against the Borrower, any other party that may be liable for any of the Senior Indebtedness (including any general partner of the Borrower if the Borrower is a partnership), all or any portion of the Mortgaged Property or combination of portions of the Mortgaged Property, or any other collateral, before proceeding against all or such portions or combination of portions of the Mortgaged Property as the Senior Mortgagee determines. The Subordinate Mortgagee hereby expressly consents to and authorizes, at the option of the Senior Mortgagee, the sale, either separately or together, of all or any



portion of the Mortgaged Property. The Subordinate Mortgagee acknowledges that without notice to the Subordinate Mortgagee and without affecting any of the provisions of this Agreement, the Senior Mortgagee may (i) extend the time for or waive any payment or performance under the Senior Loan Documents; (ii) modify or amend in any respect any provision of the Senior Loan Documents; and (iii) modify, exchange, surrender, release and otherwise deal with any additional collateral for the Senior Indebtedness.

(g) If any party other than the Borrower (including the Senior Mortgagee) acquires title to any of the Mortgaged Property pursuant to a foreclosure of, or trustee's sale or other exercise of any power of sale under, the Senior Mortgage conducted in accordance with applicable law, the lien, operation, and effect of the Subordinate Mortgage and other Subordinate Loan Documents automatically shall terminate with respect to such Mortgaged Property.

6. MISCELLANEOUS PROVISIONS

(a) In the event of any conflict or inconsistency between the terms of the Subordinate Loan Documents and the terms of this Agreement, the terms of this Agreement shall control.

(b) This Agreement shall be binding upon and shall inure to the benefit of the respective legal successors and assigns of the parties hereto. No other party shall be entitled to any benefits hereunder, whether as a third-party beneficiary or otherwise.

(c) This Agreement does not constitute an approval by the Senior Mortgagee of the terms of the Subordinate Loan Documents.

(d) Each notice, request, demand, consent, approval or other communication (collectively, "notices," and singly, a "notice") which is required or permitted to be given pursuant to this Agreement shall be in writing and shall be deemed to have been duly and sufficiently given if (i) personally delivered with proof of delivery thereof (any notice so delivered shall be deemed to have been received at the time so delivered), or (ii) sent by a national overnight courier service (such as FedEx) designating earliest available delivery (any notice so delivered shall be deemed to have been received on the next business day following receipt by the courier), or (c) sent by United States registered or certified mail, return receipt requested, postage prepaid, at a post office regularly maintained by the United States Postal Service (any notice so sent shall be deemed to have been received on the date of delivery as confirmed by the return receipt), addressed to the respective parties as follows:

(i) Notices intended for the Senior Mortgagee shall be addressed to:

NorthMarq Capital, LLC
3500 American Boulevard West, Suite 500
Bloomington, Minnesota 55431
Attention: Servicing



(ii) Notices intended for the Subordinate Mortgagee shall be addressed to:

Nevada Housing Division
1535 Old Hot Springs Rd. Suite 50
Carson City NV 89701

Any party, by notice given pursuant to this Section, may change the person or persons and/or address or addresses, or designate an additional person or persons or an additional address or addresses, for its notices, but notice of a change of address shall only be effective upon receipt. Neither party shall refuse or reject delivery of any notice given in accordance with this Section.

(e) Nothing herein or in any of the Senior Loan Documents or Subordinate Loan Documents shall be deemed to constitute the Senior Mortgagee as a joint venturer or partner of the Subordinate Mortgagee.

(f) Upon notice from the Senior Mortgagee from time to time, the Subordinate Mortgagee shall execute and deliver such additional instruments and documents, and shall take such actions, as are required by the Senior Mortgagee in order to further evidence or effectuate the provisions and intent of this Agreement.

(g) This Agreement shall be governed by the laws of the State in which the Land is located.

(h) If any one or more of the provisions contained in this Agreement, or any application thereof, shall be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein, and any other application thereof, shall not in any way be affected or impaired thereby.

(i) The term of this Agreement shall commence on the date hereof and shall continue until the earliest to occur of the following events: (i) the payment of all of the Senior Indebtedness; provided that this Agreement shall be reinstated in the event any payment on account of the Senior Indebtedness is avoided, set aside, rescinded or repaid by the Senior Mortgagee as described in Section 2(e) hereof; (ii) the payment of all of the Subordinate Indebtedness other than by reason of payments which the Subordinate Mortgagee is obligated to remit to the Senior Mortgagee pursuant to this Agreement; (iii) the acquisition by the Senior Mortgagee or by a third party purchaser, of title to the Mortgaged Property pursuant to a foreclosure of, deed in lieu of foreclosure, or trustee's sale or other exercise of a power of sale or similar disposition under, the Senior Mortgage; or (iv) with the prior written consent of the Senior Mortgagee, without limiting the provisions of Section 5(d), the acquisition by the Subordinate Mortgagee of title to the Mortgaged Property subject to the Senior Mortgage pursuant to a foreclosure, or a



deed in lieu of foreclosure, of (or the exercise of a power of sale under) the Subordinate Mortgage.

(j) No failure or delay on the part of any party hereto in exercising any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy hereunder.

(k) Each party hereto acknowledges that in the event any party fails to comply with its obligations hereunder, the other parties shall have all rights available at law and in equity, including the right to obtain specific performance of the obligations of such defaulting party and injunctive relief.

(l) Nothing in this Agreement is intended, nor shall it be construed, to in any way limit the exercise by the Subordinate Mortgagee of its governmental powers (including but not limited to police, regulatory and taxing powers) with respect to the Borrower or the Mortgaged Property to the same extent as if it were not a party to this Agreement or the transactions contemplated hereby.

(m) This Agreement may be assigned at any time by the Senior Mortgagee to any subsequent holder of the Senior Note.

(n) This Agreement may be amended, changed, modified, altered or terminated only by a written instrument or written instruments signed by the parties to this Agreement.

(o) This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

[Signature and Acknowledgement Pages to Follow]



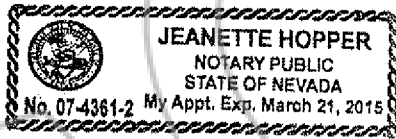
SUBORDINATE MORTGAGEE:

Nevada Housing Division,
a division of the Department of Business
and Industry of the State of Nevada

By: *Debbie Parra*
Name: Debbie Parra
Title: HOME PROGRAM MANAGER

STATE OF NEVADA)
) ss.
COUNTY OF CARSON CITY

This instrument was acknowledged before me this 3rd day of May,
2012, by Debbie Parra, the HOME Program Manager of the
Nevada Housing Division, a division of the Department of Business and Industry of the State of
Nevada, on behalf of said agency.



Jeanette Hopper
Signature of Notary Public, State of Nevada
My Commission expires: MARCH 21, 2015



CONSENT OF BORROWER

The Borrower hereby acknowledges receipt of a copy of this Subordination Agreement, by and between NorthMarq Capital, LLC and the Nevada Housing Division and consents to the agreement of the parties set forth herein.

Crestmore Village Apartments Limited Partnership,
a Nevada limited partnership

By: Picerne Crestmore Village Apartments, L.L.C.,
a Nevada limited liability company

Its: General Partner

By: [Signature]
Robert M. Picerne, Manager

Katey Olds
Witness
Name: Katey Olds

Therese Laurencell
Witness
Name: THERESE LAURENCELL

STATE OF FLORIDA)
COUNTY OF Sanjude) ss.

The foregoing instrument was acknowledged before me this 4 day of May, 2012, by Robert M. Picerne, as Manager of Picerne Crestmore Village Apartments, L.L.C., a Nevada limited liability company, the General Partner of Crestmore Village Apartments Limited Partnership, a Nevada limited partnership.



[Signature]
Signature of Notary Public – State of Florida



CONSENT OF BORROWER

The Borrower hereby acknowledges receipt of a copy of this Subordination Agreement, by and between NorthMarq Capital, LLC and the Nevada Housing Division and consents to the agreement of the parties set forth herein.


Crestmore Village Apartments Phase II Limited Partnership,
a Nevada limited partnership

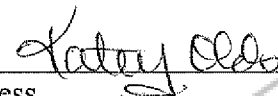
By: Picerne Crestmore Village Apartments Phase II, LLC,
a Nevada limited liability company

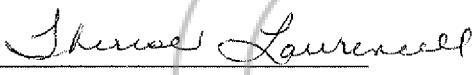
Its: General Partner

By: Picerne Development Corporation of Florida,
a Florida corporation

Its: Manager

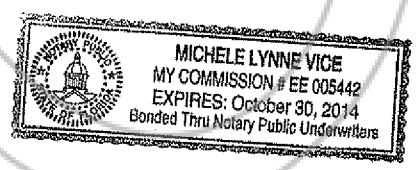
By: 
Robert M. Picerne, President


Witness
Name: Katy Olds


Witness
Name: THERESE LAURENCELL

STATE OF FLORIDA)
) ss.
COUNTY OF Summit)

The foregoing instrument was acknowledged before me this 4 day of May, 2012, by Robert M. Picerne, as President of Picerne Development Corporation of Florida, a Florida corporation, the Manager of Picerne Crestmore Village Apartments Phase II, LLC, a Nevada limited liability company, the General Partner of Crestmore Village Apartments Phase II Limited Partnership, a Nevada limited partnership.



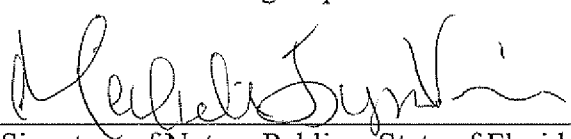

Signature of Notary Public – State of Florida



EXHIBIT A

LEGAL DESCRIPTION

A PARCEL OF LAND LOCATED WITHIN A PORTION OF THE NORTHWEST 1/4 OF SECTION 3, TOWNSHIP 12 NORTH, RANGE 20 EAST, M.D.B.&M., MORE PARTICULARLY DESCRIBED AS FOLLOWS:

PARCEL 2D OF PARCEL MAP LDA 00-48 FOR CRESTMORE VILLAGE APARTMENTS LIMITED PARTNERSHIP, FILED FOR RECORD SEPTEMBER 04, 2001 IN BOOK 901 OF OFFICIAL RECORDS, AT PAGE 65, DOCUMENT NO. 522014.

2005731v3

