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Broad and Cassel
Post Office Box 4961
Orlando, Florida 32802-4961
(407) 839-4200

**MORTGAGE TO SECURE A DEFERRED PAYMENT LOAN
FOR DEVELOPMENT OF REGENCY GARDENS APARTMENTS
FROM SHIP/NEW CONSTRUCTION FORMS
FY-2000-01**

This Mortgage made on or as of the 11 day of March, 2002, between **REGENCY GARDENS APARTMENTS, LTD.**, a Florida limited partnership, hereinafter called, and if more than one party, jointly and severally hereinafter called "Mortgagor", having an office at 1977 Dundee Drive, in the City of Winter Park, County of Orange, Florida, and **THE CITY OF POMPANO BEACH**, hereinafter called "Mortgagee", acting by and through the City Commission, having an office at 100 W. Atlantic Blvd., in the City of Pompano Beach, County of Broward, State of Florida;

WITNESSETH, that to secure the payment of an indebtedness in the principal amount of Two Hundred Two Thousand Nine Hundred Seventy-Seven Dollars and 00/100 (\$202,977.00) without interest thereon, which shall be payable in accordance with a certain note, bond, or other obligation, which note, bond or obligation is hereinafter called "Note", bearing even date herewith, a true and correct copy of which, inclusive of the signature of the Mortgagor, marked "Schedule A", is annexed hereto and made a part thereof, and all other indebtedness which the Mortgagor is obligated to pay the Mortgagee pursuant to the provisions of the Note and this Mortgage, the Mortgagor hereby grants, conveys and mortgages to the Mortgagee as a third position:

ALL of Mortgagor's right, title and interest in that certain lot, piece or parcel of land situated in the City of Pompano Beach, County of Broward, and State of Florida, bounded and described as follows:

LEGAL DESCRIPTION: See Exhibit A

TOGETHER with all of Mortgagor's right, title and interest in appurtenances thereto and all the estate and rights of the Mortgagor in and to such property or in any wise appertaining thereto; all buildings and other structures now or hereafter thereon erected or installed, and all fixtures and articles of personal property now or hereafter attached to, or used in, or in the operation of, any such land, buildings or structures which are necessary to the complete use and occupancy of such buildings or structures for the purposes for which they were or are to be erected or installed, including, but not limited to, all heating, plumbing, bathroom, lighting, cooking, laundry, ventilating, refrigerating, incinerating and air conditioning equipment and fixtures, and all replacements thereof and additions thereto, whether or not the same are or shall be attached to such land, buildings or structures in any manner;

TOGETHER with Mortgagor's right, title and interest in any and all awards now or hereafter made for the taking of the property mortgaged hereby, or any part thereof (including any easement) by the exercise of the power of eminent domain, including any award for change of grade or any street or other roadway, which awards are hereby assigned to the Mortgagee and are deemed a part of the property mortgaged hereby, and the Mortgagor hereby agrees, upon request, to make, execute and deliver any and all assignments and other instruments sufficient for

the purpose of assigning each such award to Mortgage, free, clear and discharged of any encumbrances of any kind or nature whatsoever; and

TOGETHER with all the right, title and interest of the Mortgagor in and to the land lying in the streets and roads in front of and adjoining the above described land (all the above described land, building, other structures, fixtures, articles of personal property, awards and other rights and interests being hereinafter collectively called the "mortgaged property").

TO HAVE AND TO HOLD, the mortgaged property and every part hereof unto the Mortgage, its successors and assigns forever for the purpose and uses herein set forth.

AND the Mortgagor further covenants and agrees with the Mortgagee as follows:

1. The Mortgagor will promptly pay the principal on the indebtedness evidenced by the Note, and all other charges and indebtedness provided therein and in this Mortgage, at the times and in the manner provided in the Note and in this Mortgage, if any.

2. The Mortgagor will pay, when due, as hereinafter provided, all ground rents, if any, and all taxes, assessments, water rates and other governmental charges, fines and impositions, of every kind and nature whatsoever, now or hereafter imposed on the mortgaged property, or any part thereof, and will pay, when due, every amount of indebtedness secured by any lien to which the lien of this Mortgage is expressly subject.

3. (a) This Mortgage and the Note were executed and delivered to secure monies advanced in full to the Mortgagor by the Mortgagee as or on account of a loan evidenced by the note, for the purpose of making the improvements described or referred to in the Bid Advertisement. Dated on the mortgaged property, and for such other purpose, if any, described or referred to therein, which improvements are hereinafter collectively called "Improvements". The Mortgagor shall make, or cause to be made, all the Improvements. If the construction or installation of the Improvements shall not be carried out with reasonable diligence, or shall be discontinued at any time for any reason, other than strikes, lockouts, acts of God, fires, floods, or other similar catastrophes, riots, war or insurrection, the Mortgagee, after due notice to the Mortgagor, is hereby authorized (1) to enter upon the mortgaged property and to seize said property.

(b) This mortgage is also given as security to the Mortgagee for all future advances and further loans or indebtedness owed or to be owed to the Mortgagee by the Mortgagor. Repayment to the Mortgagee of all indebtedness of the Mortgagor shall not terminate the lien of this Mortgage unless it is released by the Mortgagee at the request of the Mortgagor. Otherwise, it shall remain in force to secure future advances and indebtedness, irrespective of any additional security that may be taken as to such indebtedness. The lien of this Mortgage shall be unaffected by renewals, extensions, or partial releases hereunder.

4. ~~No building or other structure or improvement, fixture or personal property mortgaged hereby shall be removed or demolished without the prior written consent of the Mortgagee except for repairs, removals and replacements in the ordinary course of business. The Mortgagor will not make, permit or suffer any alteration of or addition to any building or other structure or improvement now or which may hereafter be erected or installed upon the mortgaged~~

property, or any part thereof, except the improvements required to be made pursuant to Paragraph 3 hereof, nor will the Mortgagor use, or permit or suffer the use of, any of the mortgaged property for any purpose other than the purpose or purposes for which the same is now intended to be used, without the prior written consent of the Mortgagee. The Mortgagor will maintain the mortgaged property in good condition and state of repair and will not suffer or permit any waste to any part thereof, and will promptly comply with all the requirements of Federal, state and local governments, or of any departments, divisions, or bureaus thereof, pertaining to such property or any part thereof.

5. The Mortgagor will not voluntarily create, or permit or suffer to be created or to exist, on or against the mortgaged property, or any part thereof, any lien superior to the lien of this Mortgage, exclusive of the lien or liens, if any, to which this Mortgage is expressly subject, including those certain liens described on Exhibit B attached hereto (the "Permitted Liens"), and will keep and maintain the same free from the claims of all parties supplying labor or materials which will enter into the construction or installation of the Improvements.

6. (a) The Mortgagor will keep all buildings, other structures and improvements, including equipment, now existing or which may hereafter be erected or installed on the land mortgaged hereby, insured against loss by fire and other hazards, casualties and contingencies. In such amounts and manner, and for such periods, all as may be required from time to time by the Mortgagee. Unless otherwise required by the Mortgagee, all such insurance shall be effected by the Standard Fire and Extended Coverage Insurance policies, in amounts not less than necessary to comply with the coinsurance clause percentage of the value applicable to the location and character of the property to be covered. All such insurance shall be carried in companies approved by the Mortgagee and all policies therefore shall be in such form and shall have attached thereto loss payable clauses in favor of the Mortgagee and any other parties as shall be satisfactory to the Mortgagee. All such policies and attachments thereto shall be delivered promptly to the Mortgagee, unless they are required to be delivered to the holder of a lien of a mortgage or similar instrument to which this Mortgage is expressly subject, in which latter event, certificates thereof, satisfactory to the Mortgagee, shall be delivered promptly to the Mortgagee. The Mortgagor will pay promptly when due, as hereinafter provided, any and all premiums on such insurance, and in every case in which payment thereof is not made from the deposits therefor required by this Mortgage, promptly submit to the Mortgagee for examination receipts or other evidence of such payment as shall be satisfactory to the Mortgagee. The Mortgagee may obtain and pay the premium on (but shall be under no obligation to do so) every kind of insurance required hereby if the amount of such premium has not been deposited as required by this Mortgage, in which event the Mortgagor will pay to the Mortgagee every premium so paid by the Mortgagee. Notwithstanding the foregoing, satisfaction of the insurance requirements of the first mortgagee shall be deemed compliance herewith.

(b) In the event of loss or damage to the mortgaged property, the Mortgagor will give the Mortgagee immediate notice thereof by mail, and the Mortgagee may make and file proof of loss if not made otherwise promptly by or on behalf of the Mortgagor. Each insurance company issuing any such policy is hereby authorized and directed to make payment thereunder for such loss to the Mortgagee and not to the Mortgagor and the Mortgagee jointly unless the amount of loss is payable first to the holder of a lien under a mortgage or similar instrument to which this Mortgage is expressly subject; and the insurance proceeds, or any part thereof, if

received by the Mortgagee, may be applied by the Mortgagee, at its option, either in reduction of the indebtedness hereby secured, or to the restoration or repair of the mortgaged property damaged. In the event of foreclosure of this Mortgage, or of any transfer of title to the mortgaged property in extinguishment of such indebtedness, all right, title and interest of the Mortgagor in and to every such insurance policy then in force, subject to the rights and interest of the holder of any such prior lien, shall pass to the grantee acquiring title to the mortgaged property together with such policy and appropriate assignment of such right, title and interest which shall be made by the Mortgagor. Notwithstanding the foregoing, the settlement of all claims and the use of insurance proceeds shall be governed by the first mortgage terms and Mortgagee shall not deny Mortgagor's right to rebuild in the event of casualty.

7. The improvements and all plans and specifications thereof shall comply with all applicable municipal ordinances, regulations and rules made or promulgated by lawful authority, and upon their completion, shall comply therewith and with the rules of the Board of Fire Underwriters having jurisdiction.

8. Upon any failure by the Mortgagor to comply with or perform any of the terms, covenants or conditions of this Mortgage requiring the payment of any amount of money by the Mortgagor, other than the principal amount of the loan evidenced by the Note, the Mortgagee may at its option make such payment. Every payment so made by the Mortgagee (including reasonable attorney's fees incurred thereby), with interest thereon from the date of such payment, at the rate of zero percent (0%) per annum, the interest rate at which the original loan was made, shall be payable to the Mortgagor to the Mortgagee on demand and shall be secured by this Mortgage. This Mortgage with respect to any such amount and the interest thereon shall constitute a lien on the mortgaged property prior to any other lien attaching or accruing subsequent to the lien of this Mortgage.

9. The Mortgagee, by any of its agents or representatives, shall have the right to inspect the mortgaged property from time to time at any reasonable hour of the day. Should the mortgaged property, or any part thereof, at any time required inspection, repair, care or attention of any kind or nature not provided by this Mortgage as determined by the Mortgagee in its sole discretion the Mortgagee may, after notice to the Mortgagor, enter or cause entry to be made upon the mortgaged property and inspect, repair, protect, care for or maintain such property, as the Mortgagee may in its sole discretion deem necessary, and may pay all amounts of money therefor, as the Mortgagee may in its sole discretion deem necessary.

10. The principal amount owing on the Note, together with interest thereon and all other charges as therein provided, and all other amounts of money owing by the Mortgagor to the Mortgagee pursuant to and secured by this Mortgage, shall immediately become due and payable without notice or demand upon the appointment of a receiver or liquidator, whether voluntary or involuntary, for the Mortgagor or any of the property of the Mortgagor, or upon the filing of a petition by or against the Mortgagor (and, if against Mortgagor, not dismissed in 90 days) under the provisions of any State insolvency law, or under the provisions of the Bankruptcy Act of 1898, as amended, or upon the making by the Mortgagor of an assignment for the benefit of the Mortgagor's creditors. The Mortgagee is authorized to declare, at its option, all or any part of such indebtedness immediately due and payable upon the happening of any of the following events:

(a) Failure to pay the amount of any installment of principal and interest, or other charges payable on the Note (and in the event of other charges if nonpayment continues after 5 days notice thereof), which shall have become due and payable.

(b) Nonperformance by the Mortgagor of any covenant, agreement, term or condition of this Mortgage, or of the Note (except as otherwise provided in subdivision (a) hereof) or of any other agreement heretofore, herewith or hereafter made by the Mortgagor with the Mortgagee in connection with such indebtedness, after the Mortgagor has been given due notice by the Mortgagee of such nonperformance and an opportunity to cure the same.

(c) Failure of the Mortgagor to perform any covenant, agreement, term or condition in any instrument creating a lien upon the mortgaged property, or any part thereof, which shall have priority over the lien of this Mortgage and a declaration of an Event of Default thereunder.

(d) The Mortgagee's discovery of the Mortgagor's failure in any application of the Mortgagor to the Mortgagee to disclose any fact deemed by the Mortgagee to be material, or of the making therein, or in any of the agreements entered into by the Mortgagor with the Mortgagee (including, but not limited to, the Note and this Mortgage) of any misrepresentation by, on behalf of, or for the benefit of the Mortgagor.

(e) The sale, lease or other transfer of any kind or nature of all or a part of the mortgaged property, or any interest therein including a beneficial interest, without the Mortgagee's prior written consent, excluding (i) the creation of a lien or encumbrance subordinate to this Mortgage; (ii) the creation of a purchase money security interest for household appliances; (iii) a transfer by devise, descent, or operation of law upon the death of a joint tenant; (iv) the grant of any leasehold interest of three (3) years or less, not containing an option to purchase; (v) the grant of utility and other easements in the ordinary course of business; (vi) sales, leases or transfers permitted by the Permitted Liens; or (vii) refinancing of the Permitted Liens, the Mortgagee may at its sole option, declare all the sums secured by this Mortgage to be immediately due and payable. The Mortgagee shall have waived such option to accelerate if, prior to the sale or transfer, the Mortgagee and the party to whom the mortgaged property is to be sold or transferred execute a written assumption agreement acceptable to the Mortgagee in its reasonable discretion. Notwithstanding any assumption agreement, the Mortgagor will continue to be obligated under the Note and this Mortgage unless the Mortgagee releases the Mortgagor in writing.

(f) In the event of the Mortgagor's death, mortgagor's heir(s) receiving title to the property cannot assume the loan.

11. Notwithstanding anything to the contrary herein, Mortgagee hereby agrees that any cure of any default made or tendered by one or more of Mortgagor's limited partners shall be deemed to be a cure by Mortgagor and shall be accepted or rejected on the same basis as if made or tendered by Mortgagor. Copies of all notices which are sent to Mortgagor under the terms of this Mortgage shall also be sent to Alliant Asset Management Company, LLC at 21550 Oxnard Street, Suite 1020, Woodland Hills, California 91367, Attn: Shawn Horwitz.

12. Notwithstanding anything to the contrary herein, the Mortgagor's administrative limited partner shall be permitted to remove a general partner thereof for cause in accordance with the Mortgagor's Amended and Restated Agreement of Limited Partnership without the consent of Mortgagee. If the administrative limited partner of Mortgagor exercises its right to remove a general partner hereof, Mortgagee shall not unreasonably withhold its consent to the substitute general partner and Mortgagee's consent shall not be required if the Mortgagor's administrative limited partner is the substitute general partner. Notwithstanding the foregoing, the substitute general partner shall assume all of the rights and obligations of the removed general partner under the Mortgage and Promissory Note.

13. Notwithstanding anything to the contrary herein, the respective interests of Mortgagor's administrative limited partner and Mortgagor's investor limited partner shall be transferable to any affiliate of Alliant Capital, Ltd., without the consent of the Mortgagee. The respective interests of Mortgagor's administrative limited partner and Mortgagor's investor limited partner shall be transferable to a non-affiliate of Alliant Capital, Ltd., without the consent of the Mortgagee, which consent shall not be unreasonably withheld.

14. The Mortgagee may from time to time cure each default under any covenant or agreement in any instrument creating a lien upon the mortgaged property, or any part thereof, which shall have priority over the lien of this Mortgage, to such extent as the Mortgagee may exclusively determine, and each amount paid, if any, by the Mortgagee to cure any such default shall be paid by the Mortgagor to the Mortgagee, and the Mortgagee shall also become subrogated to whatever rights the holder of the prior lien might have under such instrument.

15. (a) After the happening of any default hereunder (after taking into account all applicable cure periods), the Mortgagor shall, upon demand of the Mortgagee, surrender possession of the mortgaged property to the Mortgagee, and the Mortgagee may enter such property, and let the same and collect all the rents therefrom which are due or to become due, and apply the same, after payment of all charges and expenses on account of the indebtedness hereby secured, and all such rents and all leases existing at the time of such default are hereby assigned to the Mortgagee as further security for the payment of the indebtedness secured hereby; and the Mortgagee may also dispossess, by the usual summary proceedings, any tenant defaulting in the payment of any rent to the Mortgagee.

(b) In the event that the Mortgagor occupies the mortgage property or any part thereof, the Mortgagor agrees to surrender possession of such property to the Mortgagee immediately after any such default hereunder, and if the Mortgagor remains in possession after such default, such possession shall be as a tenant of the mortgagee, and the Mortgagor shall pay in advance, upon demand by the Mortgagee, as a reasonable monthly rental for the premises occupied by the Mortgagor, an amount at least equivalent to one twelfth of the aggregate of the twelve (12) monthly installments payable in the current calendar year, plus the actual amount of the annual round rent, if any, taxes, assessments, water rates, other governmental charges, and insurance premiums payable in connection with the mortgaged property during such year, and upon the failure of the Mortgagor to pay such monthly rental, the Mortgagor may also be dispossessed by the usual summary proceedings applicable to tenants. This covenant shall become effective immediately upon the happening of any such default, as determined in the sole discretion of the Mortgagee, who shall give notice of such determination to the Mortgagor, and

in the case of foreclosure and the appointment of a receiver of the rents, the within covenant shall inure to the benefit of such receiver.

16. The Mortgagee, in any action to foreclose this Mortgage, shall be entitled to the appointment of a receiver without notice, as a matter of right and without regard to the value of the mortgaged property, or the solvency or insolvency of the Mortgagor or other party liable for the payment of the Note and other indebtedness secured by this Mortgage.

17. The Mortgagor, within ten (10) days upon request in person or within twenty (20) days upon request by mail, will furnish promptly a written statement in form satisfactory to the Mortgagee, signed by the Mortgagor and duly acknowledged, of the amount then owing on the Note and other indebtedness secured by this Mortgage, and whether any offsets or defenses exist against such indebtedness or any part thereof.

18. The Mortgagor will give immediate notice by registered or certified mail to the Mortgagee of any fire, damage or other casualty affecting the mortgaged property, or of any conveyance, transfer or change in ownership of such property, or any part thereof.

19. Notice and demand or request may be made in writing and may be served in person or by mail.

20. In case of a foreclosure sale of the mortgaged property, it may be sold in one (1) parcel.

21. The Mortgagor will not assign the rents, if any, in whole or in part, from the mortgaged property, or any part thereof, without the prior written consent of the Mortgagee except in connection with the applicable Permitted Liens.

22. The Mortgagor is lawfully seized of the mortgaged property and has good right, full power and lawful authority to sell and convey the same in the manner above provided, and will warrant and defend the same to the Mortgagee forever against the lawful claims and demands of any and all parties whatsoever other than the Permitted Liens.

23. The Mortgagor hereby waives the benefit of all homestead exemptions as to the debt secured by this Mortgage and as to any expenditure for insurance, taxes, levies, assessments, dues or charges incurred by the Mortgagee pursuant to any provision of this Mortgage.

24. The Mortgagor will use the loan proceeds only for the Regency Gardens improvement work identified in the "Development Proposal" previously submitted by Mortgagor to Mortgagee.

25. All work to be done with the loan proceeds must be in accordance with City and State guidelines.

26. No City employee, employee of the contractor, the Mortgagor, or any other person has been promised or shall receive any kick back, bribe, or other payment for any activities involving this loan except those payments required to be made to the general contractor or the developer as have been disclosed to Mortgagee;

27. The Mortgagor, as owner, covenants and agrees that Mortgagor will comply with all requirements imposed by or pursuant to regulations of Title VI of the Civil Rights Act of 1964 (78 Stat. 252) agrees not to discriminate upon basis of race, color, creed, sex, handicap, or national origin in the sale, lease, rental, use or occupancy of the real property with assistance of the City of Pompano Beach, SHIP Program. The City of Pompano Beach Board of City Commissioners shall be deemed to be a beneficiary of these provisions both for and in its own right and also for the purpose of protecting the interest of the community and other parties, public or private, in whose favor or for whose benefit these provisions have been provided and shall have the right, in the event of any breach of these provisions, to maintain any actions or suits at law or in equity or any other proper proceedings to enforce the curing of such breach.

28. The Mortgagor recognizes and accepts that the Pompano Beach Housing and Urban Improvement Department is acting only to assist in the completion of this work, and that the City of Pompano Beach is not a party to the construction contract.

29. This Mortgage and all the covenants, agreements, terms and conditions herein contained shall be binding upon and inure to the benefit of the Mortgagor and the heirs, legal representatives and assigns of the Mortgagor, and, to the extent permitted by law, every subsequent owner of the mortgaged property and shall be binding upon and inure to the benefit of the Mortgagee, and its assigns. If the Mortgagor, as defined herein, consists of two or more parties, this Mortgage shall constitute a deferred payment loan and mortgage by all of them jointly and severally, and they shall be obligated jointly and severally under all the provision hereof and under the Note. The term "Mortgagee" shall include any person, corporation or other party who may, from time to time, be the holder of this Mortgage. Wherever used herein, the singular number shall include the plural, the plural number shall include the singular, and the use of any gender shall be applicable to all genders wherever the sense requires.

30. Notwithstanding anything to the contrary herein or in the Note, the sole recourse of the Mortgagee for any default hereunder or under the Note shall be against the Property and not against the Mortgagor or any of its partners; provided that until the earlier of (a) construction completion and 90% lease up, or (b) closing of the permanent loan, Lender shall have recourse against the Mortgagor and its general partners.

31. This Mortgage shall at all times be subordinate in all respects to any construction or permanent mortgage placed on the property by Regency Gardens Apartments, Ltd. Mortgagee agrees to execute subordination agreements to evidence such subordination, which execution shall not be unreasonably withheld or delayed.

IN WITNESS WHEREOF, this Mortgage has been duly signed and sealed by the Mortgagor on or as of the day and year first above written.

MORTGAGOR:

Regency Gardens Apartments, Ltd.

By: Regency Gardens, Inc., general partner

In the presence of:

Print: Sharon A. ...

 Print: Barbara W. Houghton

By:
 Thomas H. Shepherd
 President

STATE OF FLORIDA

COUNTY OF ORANGE

The foregoing instrument was acknowledged before me this 11 day of March, 2002, by Thomas H. Shepherd, as President of Regency Gardens, Inc., a Florida corporation, as general partner of Regency Gardens Apartments, Ltd., a Florida limited partnership, who is personally known to me, or who has produced _____ as identification.

NOTARY'S SEAL:

NOTARY PUBLIC, STATE OF FLORIDA
Andrew W. Russo
 (Name of Acknowledger Typed, Printed or Stamped)

Commission Number

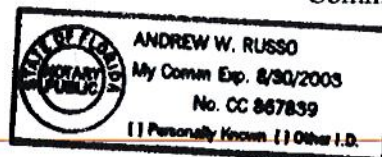


EXHIBIT "A"

Legal Description

All of Parcel A, of REGENCY GARDEN APARTMENTS, as recorded in Plat Book 170, Page 158 of the Public Records of Broward County, Florida.

EXHIBIT "B"**Permitted Encumbrances**

1. Taxes and assessments for the year **2002**, 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 Broward County, Florida.
2. Rights of tenants in possession, as tenants only, under unrecorded residential apartment leases.
3. Traffic Concurrency Agreement between Broward County, Florida and Regency Gardens Apartments, Ltd., recorded September 5, 2001 in Official Records Book 32067, Page 1571, Public Records of Broward County, Florida.
4. Declaration of Restrictive Covenants recorded September 5, 2001 in Official Records Book 32068, Page 1628, Public Records of Broward County, Florida.
5. Matters shown on that certain Plat of Regency Garden Apartments, recorded November 28, 2001 in Plat Book 170, Page 158, Public Records of Broward County, Florida.
6. Future Advance Mortgage and Security Agreement executed by Regency Gardens Apartments, Ltd., an Florida limited partnership, in favor of New South Federal Savings Bank, a federal savings bank, in the original amount of \$4,258,736, dated as of March 7, 2002, to be recorded in the Recorder's Office of Broward County, Florida.
7. Multifamily Mortgage, Assignment of Rents, and Security Agreement executed by Regency Gardens Apartments, Ltd., a Florida limited partnership, in favor of Collateral Mortgage Capital, LLC, a Delaware limited liability company, in the original amount of \$195,000, dated as of March 7, 2002, to be recorded in the Recorder's Office of Broward County, Florida.
8. That certain Mortgage to be delivered to Senior Lender as described in the Note.

PROMISSORY NOTE
(Schedule A)
FOR DEFERRED PAYMENT HOUSING REHABILITATION LOAN/GRANT

OWNER:

PROPERTY ADDRESS: 1551 NW 17th Avenue
POMPANO BEACH, FL 33060

LOAN NO.:
Yr Mo Da

PLACE EXECUTED: Orange County, Florida

DATE EXECUTED: March 11, 2002

TAX FOLIO NO:

LEGAL DESCRIPTION: All of Parcel A, of REGENCY GARDEN APARTMENTS,
as recorded in Plat Book 170, Page 158 of the Public
Records of Broward County, Florida.

\$202,977 (Maximum.)

FOR VALUE RECEIVED, the undersigned Borrower(s) jointly and severally promise(s) to pay to the order of the CITY OF POMPANO BEACH, acting by and through the City Commission, or their successors and assigns (herein called "Lender"), the maximum principal sum of Two Hundred Two Thousand Nine Hundred Seventy-Seven Dollars and 00/100 (\$202,977.00), or such lesser amount as may be endorsed on this note on behalf of Lender, which is a SHIP Rental Development Loan in the form of a Deferred Payment loan.

The 0% Interest full balloon payment at the end of the 50 years of the Deferred Payment period to the Mortgagor is a Deferred Payment Loan payable at zero percent (0%) Interest for fifty (50) years, full balloon payment of \$202,977 at the end of the 50 years. However, the principal of this Note is payable upon the transferring of title to the property used to secure this Note from the person(s) signing this Note to any other person(s) but not prior to the due date with respect to any first mortgage.

In this event, the whole indebtedness remaining unpaid shall, at the option of the holder, become immediately due, payable and collectable, and this Note and deferred interest shall bear interest at the compounded monthly rate of six percent (6%) per annum. Failure of the Lender to exercise such option shall not constitute a waiver of such default. If Lender exercises its option to declare the entire amount of Borrower's loan immediately due and payable as provided above, Borrower hereby agrees to pay Lender's costs and expenses of collection, including reasonable attorney's fees and court costs. The determination of property care and maintenance of the subject property and of termination of occupancy will be made solely by the Lender.

THIS NOTE for State Housing Initiative Partnership (SHIP) Housing is secured by a Mortgage duly filed for record in Broward County, Florida.

If the Borrower shall default in the payment of a first mortgage on the property which secures this Note, and the mortgage holder commences foreclosure on that first mortgage, the entire balance on the City's Loan shall become due and payable.

All parties to this Note hereby waive presentment for payment, demand, protest, notice of protest, and notice of dishonor. The Borrower hereby waives, to the extent permitted by law, any and all homestead and other exemption rights which otherwise would apply to the debt evidenced by this Note.

The nonrecourse provisions of the Mortgage are incorporated herein by reference.

The indebtedness evidenced by this Note is and shall be subordinate in right of payment to the prior payment in full of the indebtedness evidenced by that certain Multifamily Note to be signed at a subsequent date in the original principal amount of up to \$3,966,000 issued by Regency Gardens Apartments, Ltd. and payable to Collateral Mortgage Capital, LLC ("Senior Lender"), or order, to the extent and in the manner provided in a Subordination Agreement, the form of which shall be as provided on Exhibit A, to be between the payee of this Note, the Senior Lender and Regency Gardens Apartments, Ltd. (the "Subordination Agreement"). The Mortgage securing this Note is and shall be subject and subordinate in all respects to the liens, terms, covenants and conditions of a Multifamily Mortgage that will be given by Regency Gardens Apartments, Ltd. to Senior Lender to secure the Multifamily Note as more fully set forth in the Subordination Agreement. The rights and remedies of the payee and each subsequent holder of this Note under the Mortgage securing this Note are and will be subject to the restrictions and limitations set forth in the Subordination Agreement. Each subsequent holder of this Note shall be deemed, by virtue of such holder's acquisition of the Note, to have agreed to perform and observe all of the terms, covenants and conditions to be performed or observed by the "Subordinate Lender" (as that term is defined in the Subordination Agreement) under the Subordination Agreement.

IN WITNESS WHEREOF, this Note has been duly executed by the undersigned Borrower(s) as of the date shown above.

Regency Gardens Apartments, Ltd.

By: Regency Gardens, Inc., general partner

By: _____

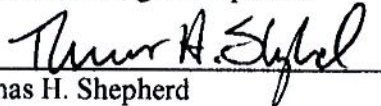

Thomas H. Shepherd
President

EXHIBIT A TO PROMISSORY NOTE**SUBORDINATION AGREEMENT**

THIS SUBORDINATION AGREEMENT (this "Agreement") is entered into this _____ day of March, 2002, by and among (i) _____ (the "Senior Lender"), (ii) CITY OF POMPAÑO BEACH, FLORIDA (the "Subordinate Lender"), and (iii) REGENCY GARDENS APARTMENTS, LTD., a Florida limited partnership (the "Borrower").

Recitals

A. The Senior Lender has made or is making a loan (the "First Mortgage Loan") to the Borrower in the original principal amount of \$ _____. The First Mortgage Loan is or will be secured by a first mortgage lien (the "First Mortgage") on a multifamily housing project located in the City of Pompano Beach, County of Broward, Florida (the "Property"). The Property is more fully described in Exhibit A attached hereto. The Borrower's obligation to repay the First Mortgage Loan is evidenced by a Multifamily Note dated _____ (the "First Mortgage Note"), and is due in full on _____.

B. The Borrower has requested the Senior Lender to permit the Subordinate Lender to make a subordinate loan to Borrower in the amount of \$202,977.00 (the "Subordinate Loan") and to secure the Subordinate Loan by, among other things, placing a mortgage lien against the Property.

C. The Senior Lender has agreed to permit the Subordinate Lender to make the Subordinate Loan and to place a subordinate mortgage lien against the Property subject to all of the conditions contained in this Agreement.

D. The Senior Lender intends to sell, transfer and deliver the First Mortgage Note and assign the First Mortgage to Fannie Mae.

NOW, THEREFORE, in order to induce the Senior Lender to permit the Subordinate Lender to make the Subordinate Loan to the Borrower and to place a subordinate mortgage lien against the Property, and in consideration thereof, the Senior Lender, the Subordinate Lender and the Borrower agree as follows:

1. **Definitions.**

In addition to the terms defined in the Recitals to this Agreement, for purposes of this Agreement the following terms have the respective meanings set forth below:

"Affiliate" means, when used with respect to a Person, any corporation, partnership, joint venture, limited liability company, limited liability partnership, trust or individual controlled by, under common control with, or which controls such Person (the term "control" for these purposes shall mean the ability, whether by the ownership of shares or other equity interests, by contract or otherwise, to elect a majority of the directors of a corporation, to make management decisions on behalf of, or independently

to select the managing partner of, a partnership, or otherwise to have the power independently to remove and then select a majority of those individuals exercising managerial authority over an entity, and control shall be conclusively presumed in the case of the ownership of 50% or more of the equity interests).

"Borrower" means the Person named as such in the first paragraph of this Agreement and any other Person (other than the Senior Lender) who acquires title to the Property after the date of this Agreement.

"Business Day" means any day other than Saturday, Sunday or a day on which the Senior Lender is not open for business.

"Default Notice" means: (a) a copy of the written notice from the Senior Lender to the Borrower stating that a First Mortgage Loan Default has occurred under the First Mortgage Loan; or (b) a copy of the written notice from the Subordinate Lender to the Borrower stating that a Subordinate Loan Default has occurred under the Subordinate Loan. Each Default Notice shall specify the default upon which such Default Notice is based.

"First Mortgage Loan Default" means the occurrence of [a default by the Borrower in performing or observing any of the terms, covenants or conditions in the First Mortgage Loan Documents to be performed or observed by it, which continues beyond any applicable period provided in the First Mortgage Loan Documents for curing the default] [an "Event of Default" as that term is defined in the First Mortgage Loan Documents].

"First Mortgage Loan Documents" means the First Mortgage Note and all other documents evidencing, securing or otherwise executed and delivered in connection with the First Mortgage Loan.

"Person" means an individual, estate, trust, partnership, corporation, limited liability company, limited liability partnership, governmental department or agency or any other entity which has the legal capacity to own property.

"Senior Lender" means the Person named as such in the first paragraph on page 1 of this Agreement. When Fannie Mae or any other Person becomes the legal holder of the First Mortgage Note, Fannie Mae or such other Person shall automatically become the Senior Lender.

"Subordinate Lender" means the Person named as such in the first paragraph on page 1 of this Agreement and any other Person who becomes the legal holder of the Subordinate Note after the date of this Agreement.

"Subordinate Loan Default" means a default by the Borrower in performing or observing any of the terms, covenants or conditions in the Subordinate

Loan Documents to be performed or observed by it, which continues beyond any applicable period provided in the Subordinate Loan Documents for curing the default.

"Subordinate Loan Documents" means the Subordinate Note, the Subordinate Mortgage, and all other documents evidencing, securing or otherwise executed and delivered in connection with the Subordinate Loan.

"Subordinate Mortgage" means the mortgage or deed of trust encumbering the Property as security for the Subordinate Loan, which the Subordinate Lender will cause to be recorded among the applicable land records immediately before this Agreement.

"Subordinate Note" means the promissory note of even date herewith issued by the Borrower to the Subordinate Lender, or order, to evidence the Subordinate Loan.

2. **Permission to Place Mortgage Lien Against Property.**

The Senior Lender agrees, notwithstanding the prohibition against inferior liens on the Property contained in the First Mortgage Loan Documents and subject to the provisions of this Agreement, to permit the Subordinate Lender to record the Subordinate Mortgage and other recordable Subordinate Loan Documents against the Property (which are subordinate in all respects to the lien of the First Mortgage) to secure the Borrower's obligation to repay the Subordinate Note and all other obligations, indebtedness and liabilities of the Borrower to the Subordinate Lender under and in connection with the Subordinate Loan. Such permission is subject to the condition that each of the representations and warranties made by the Borrower and the Subordinate Lender in Section 3 is true and correct on the date of this Agreement and on the date on which the proceeds of the Subordinate Loan are disbursed to the Borrower. If any of the representations and warranties made by the Borrower and the Subordinate Lender in Section 3 is not true and correct on both of those dates, the provisions of the First Mortgage Loan Documents applicable to unpermitted liens on the Property shall apply.

3. **Borrower's and Subordinate Lender's Representations and Warranties.**

The Borrower and the Subordinate Lender each makes the following representations and warranties to the Senior Lender:

(a) **Subordinate Note.** The Subordinate Note contains the following provision:

The indebtedness evidenced by this Note is and shall be subordinate in right of payment to the prior payment in full of the indebtedness evidenced by a Multifamily Note of even date herewith in the original principal amount of \$ _____ issued by _____ and payable to _____ ("Senior Lender"), or order, to the extent and in the manner provided in that certain Subordination Agreement of even date herewith between the

payee of this Note, and the Senior Lender and _____ (the "Subordination Agreement"). The Mortgage [Deed of Trust] securing this Note is and shall be subject and subordinate in all respects to the liens, terms, covenants and conditions of the Multifamily Mortgage [Deed of Trust] securing the Multifamily Note as more fully set forth in the Subordination Agreement. The rights and remedies of the payee and each subsequent holder of this Note under the Mortgage [Deed of Trust] securing this Note are subject to the restrictions and limitations set forth in the Subordination Agreement. Each subsequent holder of this Note shall be deemed, by virtue of such holder's acquisition of the Note, to have agreed to perform and observe all of the terms, covenants and conditions to be performed or observed by the Subordinate Lender under the Subordination Agreement.

(b) **Relationship of Borrower to Subordinate Lender and Senior Lender.**

The Subordinate Lender is not an Affiliate of the Borrower and is not in possession of any facts which would lead it to believe that the Senior Lender is an Affiliate of the Borrower.

(c) **Term.** The term of the Subordinate Note does not end before the term of the First Mortgage Note.

(d) **Subordinate Loan Documents.** The executed Subordinate Loan Documents are substantially in the same forms as those submitted to, and approved by, Fannie Mae prior to the date of this Agreement. Upon execution and delivery of the Subordinate Loan Documents, Borrower shall deliver to Senior Lender an executed copy of each of the Subordinate Loan Documents, certified to be true, correct and complete.

(e) **Senior Loan Documents.** The executed Senior Loan Documents are substantially in the same forms as, when applicable, those submitted to, and approved by, Fannie Mae prior to the date of this Agreement. Upon execution and delivery of the Senior Loan Documents, Borrower shall deliver to Subordinate Lender an executed copy of each of the Senior Loan Documents, certified to be true, correct and complete.

4. **Terms of Subordination.**

(a) **Agreement to Subordinate.** The Senior Lender and the Subordinate Lender agree that: (i) the indebtedness evidenced by the Subordinate Loan Documents is and shall be subordinated in right of payment, to the extent and in the manner provided in this Agreement to the prior payment in full of the indebtedness evidenced by the First Mortgage Loan Documents, and (ii) the Subordinate Mortgage and the other Subordinate Loan Documents are and shall be subject and subordinate in all respects to the liens, terms, covenants and conditions of the First Mortgage and the other First Mortgage Loan Documents and to all advances heretofore made or which may hereafter be made pursuant to the First Mortgage and the other First Mortgage Loan Documents (including but not limited to, all sums advanced for the purposes of (1) protecting or further securing the lien of the First Mortgage, curing defaults by the Borrower under the First Mortgage Loan Documents or for any other purpose expressly

permitted by the First Mortgage, or (2) constructing, renovating, repairing, furnishing, fixturing or equipping the Property).

(b) **Subordination of Subrogation Rights.** The Subordinate Lender agrees that if, by reason of its payment of real estate taxes or other monetary obligations of the Borrower, or by reason of its exercise of any other right or remedy under the Subordinate Loan Documents, it acquires by right of subrogation or otherwise a lien on the Property which (but for this subsection) would be senior to the lien of the First Mortgage, then, in that event, such lien shall be subject and subordinate to the lien of the First Mortgage.

(c) **Payments Before First Mortgage Loan Default.** Until the Subordinate Lender receives a Default Notice of a First Mortgage Loan Default from the Senior Lender, the Subordinate Lender shall be entitled to retain for its own account all payments made under or pursuant to the Subordinate Loan Documents.

(d) **Payments After First Mortgage Loan Default.** The Borrower agrees that, after it receives notice (or otherwise acquires knowledge) of a First Mortgage Loan Default, it will not make any payments under or pursuant to the Subordinate Loan Documents (including but not limited to principal, interest, additional interest, late payment charges, default interest, attorney's fees, or any other sums secured by the Subordinate Mortgage) without the Senior Lender's prior written consent. The Subordinate Lender agrees that, after it receives a Default Notice from the Senior Lender with written instructions directing the Subordinate Lender not to accept payments from the Borrower on account of the Subordinate Loan, it will not accept any payments under or pursuant to the Subordinate Loan Documents (including but not limited to principal, interest, additional interest, late payment charges, default interest, attorney's fees, or any other sums secured by the Subordinate Mortgage) without the Senior Lender's prior written consent. If the Subordinate Lender receives written notice from the Senior Lender that the First Mortgage Loan Default which gave rise to the Subordinate Lender's obligation not to accept payments has been cured, waived, or otherwise suspended by the Senior Lender, the restrictions on payment to the Subordinate Lender in this Section 4 shall terminate, and the Senior Lender shall have no right to any subsequent payments made to the Subordinate Lender by the Borrower prior to the Subordinate Lender's receipt of a new Default Notice from the Senior Lender in accordance with the provisions of this Section 4(d).

(e) **Remitting Subordinate Loan Payments to Senior Lender.** If, after the Subordinate Lender receives a Default Notice from the Senior Lender in accordance with subsection (d) above, the Subordinate Lender receives any payments under the Subordinate Loan Documents, the Subordinate Lender agrees that such payment or other distribution will be received and held in trust for the Senior Lender and unless the Senior Lender otherwise notifies the Subordinate Lender in writing, will be promptly remitted, in kind to the Senior Lender, properly endorsed to the Senior Lender, to be applied to the principal of, interest on and other amounts due under the First Mortgage Loan Documents in accordance with the provisions of the First Mortgage Loan Documents. By executing this Agreement, the Borrower specifically authorizes the Subordinate Lender to endorse and remit any such payments to the Senior Lender, and specifically waives any and all rights to have such payments returned to the Borrower or credited against the Subordinate Loan. Borrower and Senior Lender acknowledge and agree that payments received by the Subordinate Lender, and remitted to the Senior Lender under this

Section 4, shall not be applied or otherwise credited against the Subordinate Loan, nor shall the tender of such payment to the Senior Lender waive any Subordinate Loan Default which may arise from the inability of the Subordinate Lender to retain such payment or apply such payment to the Subordinate Loan.

(f) **Agreement Not to Commence Bankruptcy Proceeding.** The Subordinate Lender agrees that during the term of this Agreement it will not commence, or join with any other creditor in commencing any bankruptcy reorganization, arrangement, insolvency or liquidation proceedings with respect to the Borrower, without the Senior Lender's prior written consent unless the Senior Lender shall already have commenced bankruptcy reorganization, arrangement, insolvency or liquidation proceedings with respect to the Borrower.

5. **Default Under Subordinate Loan Documents.**

(a) **Notice of Default and Cure Rights.** The Subordinate Lender shall deliver to the Senior Lender a Default Notice within five Business Days in each case where the Subordinate Lender has given a Default Notice to the Borrower. Failure of the Subordinate Lender to send a Default Notice to the Senior Lender shall not prevent the exercise of the Subordinate Lender's rights and remedies under the Subordinate Loan Documents, subject to the provisions of this Agreement. The Senior Lender shall have the right, but not the obligation, to cure any Subordinate Loan Default within 60 days following the date of such notice; provided, however that the Subordinate Lender shall be entitled, during such 60-day period, to continue to pursue its rights and remedies under the Subordinate Loan Documents. All amounts paid by the Senior Lender in accordance with the First Mortgage Loan Documents to cure a Subordinate Loan Default shall be deemed to have been advanced by the Senior Lender pursuant to, and shall be secured by the lien of, the First Mortgage.

(b) **Subordinate Lender's Exercise of Remedies After Notice to Senior Lender.** If a Subordinate Loan Default occurs and is continuing, the Subordinate Lender agrees that, without the Senior Lender's prior written consent, it will not commence foreclosure proceedings with respect to the Property under the Subordinate Loan Documents or exercise any other rights or remedies it may have under the Subordinate Loan Documents, including, but not limited to accelerating the Subordinate Loan, collecting rents, appointing (or seeking the appointment of) a receiver or exercising any other rights or remedies thereunder unless and until it has given the Senior Lender at least 60 days' prior written notice; during such 60 day period, however, the Subordinate Lender shall be entitled to exercise and enforce all other rights and remedies available to the Subordinate Lender under the Subordinate Loan Documents and/or under applicable laws, including without limitation, rights to enforce covenants and agreements of the Borrower relating to income, rent, or affordability restrictions contained in the Land Use Restriction Agreement.

(c) **Cross Default.** The Borrower and the Subordinate Lender agree that a Subordinate Loan Default shall constitute a First Mortgage Loan Default under the First Mortgage Loan Documents and the Senior Lender shall have the right to exercise all rights or remedies under the First Mortgage Loan Documents in the same manner as in the case of any other First Mortgage Loan Default. If the Subordinate Lender notifies the Senior Lender in writing that any Subordinate Loan Default of which the Senior Lender has received a Default

Notice has been cured or waived, as determined by the Subordinate Lender in its sole discretion, then provided that Senior Lender has not conducted a sale of the Property pursuant to its rights under the First Mortgage Loan Documents, any First Mortgage Loan Default under the First Mortgage Loan Documents arising solely from such Subordinate Loan Default shall be deemed cured, and the First Mortgage Loan shall be reinstated, provided, however, that the Senior Lender shall not be required to return or otherwise credit for the benefit of the Borrower any default rate interest or other default related charges or payments received by the Senior Lender during such First Mortgage Loan Default.

6. Default Under First Mortgage Loan Documents.

(a) **Notice of Default and Cure Rights.** The Senior Lender shall deliver to the Subordinate Lender a Default Notice within five Business Days in each case where the Senior Lender has given a Default Notice to the Borrower. Failure of the Senior Lender to send a Default Notice to the Subordinate Lender shall not prevent the exercise of the Senior Lender's rights and remedies under the Senior Loan Documents, subject to the provisions of this Agreement. The Subordinate Lender shall have the right, but not the obligation, to cure any such First Mortgage Loan Default within 60 days following the date of such notice; provided, however, that the Senior Lender shall be entitled during such 60-day period to continue to pursue its remedies under the First Mortgage Loan Documents. Subordinate Lender may have up to 90 days from the date of the Default Notice to cure a non-monetary default if during such 90-day period Subordinate Lender keeps current all payments required by the First Mortgage Loan Documents. In the event that such a non-monetary default creates an unacceptable level of risk relative to the Property, or Senior Lender's secured position relative to the Property, as determined by Senior Lender in its sole discretion, then Senior Lender may exercise during such 90-day period all available rights and remedies to protect and preserve the Property and the rents, revenues and other proceeds from the Property. All amounts paid by the Subordinate Lender to the Senior Lender to cure a First Mortgage Loan Default shall be deemed to have been advanced by the Subordinate Lender pursuant to, and shall be secured by the lien of, the Subordinate Mortgage.

(b) **Cross Default.** The Subordinate Lender agrees that, notwithstanding any contrary provision contained in the Subordinate Loan Documents, a First Mortgage Loan Default shall not constitute a default under the Subordinate Loan Documents if no other default occurred under the Subordinate Loan Documents until either (i) the Senior Lender has accelerated the maturity of the First Mortgage Loan, or (ii) the Senior Lender has taken affirmative action to exercise its rights under the First Mortgage to collect rent, to appoint (or seek the appointment of) a receiver or to foreclose on (or to exercise a power of sale contained in) the First Mortgage. At any time after a First Mortgage Loan Default is determined to constitute a default under the Subordinate Loan Documents, the Subordinate Lender shall be permitted to pursue its remedies for default under the Subordinate Loan Documents, subject to the restrictions and limitations of this Agreement. If at any time the Borrower cures any First Mortgage Loan Default to the satisfaction of the Senior Lender, as evidenced by written notice from the Senior lender to the Subordinate Lender, any default under the Subordinate Loan Documents arising from such First Mortgage Loan Default shall be deemed cured and the Subordinate Loan shall be retroactively reinstated as if such First Mortgage Loan Default had never occurred.

7. Conflict.

The Borrower, the Senior Lender and the Subordinate Lender each agrees that, in the event of any conflict or inconsistency between the terms of the First Mortgage Loan Documents, the Subordinate Loan Documents and the terms of this Agreement, the terms of this Agreement shall govern and control solely as to the following: (a) the relative priority of the security interests of the Senior Lender and the Subordinate Lender in the Property; (b) the timing of the exercise of remedies by the Senior Lender and the Subordinate Lender under the First Mortgage and the Subordinate Mortgage, respectively; and (c) solely as between the Senior Lender and the Subordinate Lender, the notice requirements, cure rights, and the other rights and obligations which the Senior Lender and the Subordinate Lender have agreed to as expressly provided in this Agreement. Borrower acknowledges that the terms and provisions of this Agreement shall not, and shall not be deemed to: extend Borrower's time to cure any First Mortgage Loan Default or Subordinate Loan Default, as the case may be; give the Borrower the right to notice of any First Mortgage Loan Default or Subordinate Loan Default, as the case may be other than that, if any, provided, respectively under the First Mortgage Loan Documents or the Subordinate Loan Documents; or create any other right or benefit for Borrower as against Senior Lender or Subordinate Lender.

8. Rights and Obligations of the Subordinate Lender Under the Subordinate Loan Documents and of the Senior Lender under the First Mortgage Loan Documents.

Subject to each of the other terms of this Agreement, all of the following provisions shall supersede any provisions of the Subordinate Loan Documents covering the same subject matter:

(a) **Protection of Security Interest.** The Subordinate Lender shall not, without the prior written consent of the Senior Lender in each instance, take any action which has the effect of increasing the indebtedness outstanding under, or secured by, the Subordinate Loan Documents, except that the Subordinate Lender shall have the right to advance funds to cure First Mortgage Loan Defaults pursuant to Section 6(a) above and advance funds pursuant to the Subordinate Mortgage for the purpose of paying real estate taxes and insurance premiums, making necessary repairs to the Property and curing other defaults by the Borrower under the Subordinate Loan Documents.

(b) **Condemnation or Casualty.** In the event of: a taking or threatened taking by condemnation or other exercise of eminent domain of all or a portion of the Property (collectively, a "Taking"); or the occurrence of a fire or other casualty resulting in damage to all or a portion of the Property (collectively, a "Casualty"), at any time or times when the First Mortgage remains a lien on the Property the following provisions shall apply:

(i) The Subordinate Lender hereby agrees that its rights (under the Subordinate Loan Documents or otherwise) to participate in any proceeding or action relating to a Taking and/or a Casualty, or to participate or join in any settlement of, or to adjust, any claims resulting from a Taking or a Casualty shall be and remain subordinate in all respects to the Senior Lender's rights under the First Mortgage Loan Documents with respect thereto, and the Subordinate Lender shall be bound by any settlement or adjustment of a claim resulting from a Taking or a Casualty made by the Senior Lender; provided, however, this subsection and/or

anything contained in this Agreement shall not limit the rights of the Subordinate Lender to file any pleadings, documents, claims or notices with the appropriate court with jurisdiction over the proposed Taking and/or Casualty; and

(ii) all proceeds received or to be received on account of a Taking or a Casualty, or both, shall be applied (either to payment of the costs and expenses of repair and restoration or to payment of the First Mortgage Loan) in the manner determined by the Senior Lender in its sole discretion; provided, however, that if the Senior Lender elects to apply such proceeds to payment of the principal of, interest on and other amounts payable under the First Mortgage Loan, any proceeds remaining after the satisfaction in full of the principal of, interest on and other amounts payable under the First Mortgage Loan shall be paid to, and may be applied by, the Subordinate Lender in accordance with the applicable provisions of the Subordinate Loan Documents, provided however, the Senior Lender agrees to consult with the Subordinate Lender in determining the application of Casualty proceeds, provided further however that in the event of any disagreement between the Senior Lender and the Subordinate Lender over the application of Casualty proceeds, the decision of the Senior Lender, in its sole discretion, shall prevail.

(c) **No Modification of Subordinate Loan Documents.** The Borrower and the Subordinate Lender each agrees that, until the principal of, interest on and all other amounts payable under the First Mortgage Loan Documents have been paid in full, it will not, without the prior written consent of the Senior Lender in each instance, increase the amount of the Subordinate Loan, increase the required payments due under the Subordinate Loan, decrease the term of the Subordinate Loan, increase the interest rate on the Subordinate Loan, or otherwise amend the Subordinate Loan terms in a manner that creates an adverse effect upon the Senior Lender under the First Mortgage Loan Documents. Any unauthorized amendment of the Subordinate Loan Documents or assignment of the Subordinate Lender's interest in the Subordinate Loan without the Senior Lender's consent shall be void ab initio and of no effect whatsoever.

9. **Modification or Refinancing of First Mortgage Loan.**

The Subordinate Lender consents to any agreement or arrangement in which the Senior Lender waives, postpones, extends, reduces or modifies any provisions of the First Mortgage Loan Documents, including any provision requiring the payment of money. Subordinate Lender further agrees that its agreement to subordinate hereunder shall extend to any new mortgage debt which is for the purpose of refinancing all or any part of the First Mortgage Loan (including reasonable and necessary costs associated with the closing and/or the refinancing); and that all the terms and covenants of this Agreement shall inure to the benefit of any holder of any such refinanced debt; and that all references to the First Mortgage Loan, the First Mortgage Note, the First Mortgage, the First Mortgage Loan Documents and Senior Lender shall mean, respectively, the refinance loan, the refinance note, the mortgage securing the refinance note, all documents evidencing securing or otherwise pertaining to the refinance note and the holder of the refinance note.

10. Default by the Subordinate Lender or Senior Lender.

If the Subordinate Lender or Senior Lender defaults in performing or observing any of the terms, covenants or conditions to be performed or observed by it under this Agreement, the other, non-defaulting lender shall have the right to all available legal and equitable relief.

11. Notices.

Each notice, request, demand, consent, approval or other communication (hereinafter in this Section referred to collectively as "notices" and referred to singly as a "notice") which the Senior Lender or the Subordinate Lender is required or permitted to give to the other party pursuant to this Agreement shall be in writing and shall be deemed to have been duly and sufficiently given if: (a) personally delivered with proof of delivery thereof (any notice so delivered shall be deemed to have been received at the time so delivered); or (b) sent by Federal Express (or other similar national overnight courier) designating early morning 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 two days after mailing in the United States), addressed to the respective parties as follows:

SENIOR LENDER:

Attention: _____

With a copy to:

Fannie Mae
 Attention: Multifamily Operations-Asset
 Management
 Drawer AM
 3900 Wisconsin Avenue, N.W.
 Washington, DC 20016

SUBORDINATE LENDER:

Attention: _____

Either party may, by notice given pursuant to this Section, 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.

12. General.

(a) **Assignment/Successors.** This Agreement shall be binding upon the Borrower, the Senior Lender and the Subordinate Lender and shall inure to the benefit of the respective legal successors and assigns of the Senior Lender and the Subordinate Lender.

(b) **No Partnership or Joint Venture.** The Senior Lender's permission for the placement of the Subordinate Loan Documents does not constitute the Senior Lender as a joint venturer or partner of the Subordinate Lender. Neither party hereto shall hold itself out as a partner, agent or Affiliate of the other party hereto.

(c) **Senior Lender's and Subordinate Lender's Consent.** Wherever the Senior Lender's consent or approval is required by any provision of this Agreement, such consent or approval may be granted or denied by the Senior Lender in its sole and absolute discretion, unless otherwise expressly provided in this Agreement. Wherever the Subordinate Lender's consent or approval is required by any provision of this Agreement, such consent or approval may be granted or denied by the Subordinate Lender in its sole and absolute discretion, unless otherwise expressly provided in this Agreement.

(d) **Further Assurances.** The Subordinate Lender, the Senior Lender and the Borrower each agree, at the Borrower's expense, to execute and deliver all additional instruments and/or documents reasonably required by any other party to this Agreement in order to evidence that the Subordinate Mortgage is subordinate to the lien, covenants and conditions of the First Mortgage, or to further evidence the intent of this Agreement.

(e) **Amendment.** This Agreement shall not be amended except by written instrument signed by all parties hereto.

(f) **Governing Law.** This Agreement shall be governed by the laws of the State in which the Property is located.

(g) **Severable Provisions.** If any provision of this Agreement shall be invalid or unenforceable to any extent, then the other provisions of this Agreement, shall not be affected thereby and shall be enforced to the greatest extent permitted by law.

(h) **Term.** 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 principal of, interest on and other amounts payable under the First Mortgage Loan Documents; (ii) the payment of all of the principal of, interest on and other amounts payable under the Subordinate Loan Documents, other than by reason of payments which the Subordinate Lender is obligated to remit to the Senior Lender pursuant to Section 4 hereof; (iii) the acquisition by the Senior Lender of title to the Property pursuant to a foreclosure or a deed in lieu of foreclosure of, or the exercise of a power of sale contained in, the First Mortgage; or (iv) the acquisition by the Subordinate Lender of title to the Property pursuant to a foreclosure or a deed in lieu of

foreclosure of, or the exercise of a power of sale contained in, the Subordinate Mortgage, but only if such acquisition of title does not violate any of the terms of this Agreement.

(i) **Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be considered an original for all purposes; provided, however, that all such counterparts shall together constitute one and the same instrument.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first written above.

SENIOR LENDER:

By: _____

Name: _____

Title: _____

SUBORDINATE LENDER:

By: _____

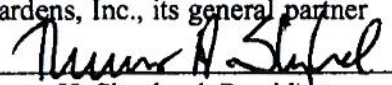
Name: _____

Title: _____

BORROWER:

REGENCY GARDENS APARTMENTS, LTD.

By: Regency Gardens, Inc., its general partner

By: 
Thomas H. Shepherd, President