

WHEN RECORDED, RETURN TO:

Callister Nebeker & McCullough
10 East South Temple, Suite 900
Salt Lake City, Utah 84133
Attn: John B. Lindsay

002-212-01

720751- NP



**SUBORDINATION AGREEMENT
(Panaca)**

THIS SUBORDINATION AGREEMENT, dated March 22, 2016, is entered into by and between BONNEVILLE MORTGAGE COMPANY, a Utah corporation, having its principal office at 111 East Broadway, Suite 200, Salt Lake City, Utah 84111 (hereinafter referred to as the "LENDER"), and the United States of America, acting through the UNITED STATES DEPARTMENT OF AGRICULTURE RURAL HOUSING SERVICE, whose principal office is located in Washington, DC (hereinafter referred to as "USDA RHS").

WITNESSETH:

WHEREAS, Carefree Living Caliente, LP, a California limited partnership obtained a loan from USDA RHS in the original principal amount of Six Hundred Fifty-Nine Thousand Seven Hundred Fifty Dollars (\$659,750.00), (the "USDA RHS Loan") and, as part of the terms and conditions of that financing, executed a Real Estate Deed of Trust for Utah and Nevada recorded August 12, 1980, in Book 39, Page 24 as Instrument No. 69450 (the "USDA Deed of Trust") and a Declaration of Restrictive Covenants ("RUC"), recorded November 17, 2015, in Book 299, Page 472, as Document No. 0148575, in the County of Lincoln, State of Nevada, creating a security interest and an encumbrance in favor of USDA RHS in real property as described in Exhibit "A" to the USDA Deed of Trust attached hereto and by this reference made a part hereof (hereinafter referred to as the "Property"). The USDA Deed of Trust and RUC were assumed by Lincoln Senior Housing LLC, a Nevada limited liability company, having its principal office at 234 Shelter Valley Drive, Kalispell, Montana 59901 (hereinafter referred to as "BORROWER"), pursuant to various documents including that Multifamily Housing Assumption Agreement dated March 22, 2016; and

WHEREAS, BORROWER has requested that USDA RHS subordinate its lien so that BORROWER can obtain a loan from LENDER to replace certain construction financing previously obtained by BORROWER; and



WHEREAS, LENDER has agreed to make a loan to BORROWER in the amount of One Million Three Hundred Thousand Dollars (\$1,300,000.00) as evidenced by a Multifamily Note dated March 22, 2016 (the "Note"), which loan is secured by a lien of mortgage (or deed of trust) as evidenced by that certain Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (hereinafter referred to as the "LENDER's Deed of Trust") in favor of LENDER, its successors and assigns, duly executed and delivered by BORROWER, constituting a lien upon the Property, and recorded concurrently herewith; and

NOW, THEREFORE, in consideration of the above and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, LENDER, USDA RHS, and BORROWER agree as follows:

1. USDA RHS hereby subordinates the lien of the United States on the Property created by the USDA Deed of Trust described as the Rural Development Mortgage shown on Exhibit B attached hereto and made a part hereof, to LENDER's lien created by LENDER's Deed of Trust in the total principal amount of One Million Three Hundred Thousand Dollars (\$1,300,000.00) (the "Subordination Amount"), together with the Lender's Regulatory Agreement and the Lender's Deed Restriction which are all recording substantially concurrently herewith. USDA RHS hereby expressly agrees that LENDER's lien created by LENDER's Deed of Trust, Regulatory Agreement and Deed Restriction will be superior to and prior in dignity to the United States' lien created by the USDA Deed of Trust. Notwithstanding the foregoing, LENDER agrees the RUC is not subordinated to the LENDER's Deed of Trust, LENDER's Regulatory Agreement, or LENDER's Deed Restriction and that such instruments shall remain subordinate to the RUC. USDA RHS does not subordinate the RUC and LENDER agrees that the RUC will be recorded ahead of LENDER's senior loan. The RUC will be executed by BORROWER and will run with the land and will remain in full force and effect notwithstanding a foreclosure or transfer of title.

2. The amount of this subordination will not exceed One Million Three Hundred Thousand Dollars (\$1,300,000.00), plus unpaid interest and reasonable costs, expenses, and fees, including reasonable attorneys fees in protecting LENDER'S security interest in the Property or foreclosing LENDER's Deed of Trust, Regulatory Agreement and Deed Restriction against the Property.

3. LENDER agrees that, in addition to LENDER, USDA RHS shall be listed as loss payee as its interest appears on all insurance policies maintained on the Property.

4. LENDER and USDA RHS agree that they will not foreclose on their respective mortgages, or accept a deed in lieu of foreclosure, without first providing no less than 45 days written prior notice to the other lender. The proceeds from any foreclosure sale shall be applied



as follows: (a) to pay the costs of foreclosure, including legal fees; (b) to reimburse LENDER or USDA RHS for any protective advance made to preserve the Property or the mortgage lien of the foreclosing lender; (c) to LENDER, until paid to the full extent of the Subordination Amount; (d) to USDA RHS, until paid in full, with the balance to be distributed in accordance with law.

5. All notices to be sent to USDA RHS will be sent to the following address:

State Director, Rural Development
7080 La Cienega Street, Ste 100
Las Vegas, NV 89119-4222

USDA RHS may, by written notice to LENDER, change the above address.

All notices to be sent to LENDER will be sent to the following address:

Bonneville Mortgage Company
111 East Broadway, Suite 200
Salt Lake City, Utah 84111
Attn: Brent H. Peterson

With a copy to: Callister Nebeker & McCullough
Zions Bank Building
10 East South Temple, Suite 900
Salt Lake City, Utah 84133
Attn: John B. Lindsay

LENDER may, by written notice to RURAL DEVELOPMENT, change the above address.

6. (a) LENDER acknowledges its awareness of a Loan Agreement, promissory note, and related agreements binding BORROWER, its successors and assigns in interest, to use the improvements located on the Property for the purpose of those people eligible for occupancy as provided in Section 515 of Title V of the Housing Act of 1949, as amended, and federal regulations during the fifty (50) year term of the USDA RHS financing beginning March 22, 2016. Until March 1, 2066, no eligible person occupying the housing shall be required to vacate without cause and no eligible person wishing to occupy shall be denied occupancy without cause. BORROWER shall be released from the obligations of this paragraph before March 1, 2066, only when the United States determines that there is no longer a need for housing on the Property under Section 515 of Title V of the Housing Act of 1949, as amended, or that financial assistance for such housing will no longer be provided due to no fault, action or lack of action on the part of BORROWER. A tenant of the Property, an individual wishing to become a tenant of the Property, or the United States may seek enforcement of this paragraph.



(b) LENDER acknowledges that USDA RHS may re-amortize the USDA RHS loans to BORROWER in accordance with 7 CFR 3560.455 or successor regulation.

(c) LENDER acknowledges that prepayment of the USDA RHS loans and future transfers of the Property are restricted under 42 USC section 1472 and implementing regulations. Any release of the Property from the multi-family housing program by USDA RHS will be governed by applicable federal law and regulations at the time such release is requested.

7. USDA RHS will, upon request of LENDER, provide LENDER with a copy of any monitoring reports received by USDA RHS pursuant to 7 CFR PART 3560 or successor regulations. LENDER reserves the right to monitor the Property at any time.

8. USDA RHS will, upon request of LENDER, seek consent from BORROWER to provide LENDER with copies of annual audit reports for the Property. If BORROWER consents, USDA RHS will provide a copy of the requested audit report to LENDER. LENDER shall have the right to request additional financial information from BORROWER.

9. USDA RHS and LENDER shall each service and collect payments on their respective loans.

10. LENDER and USDA RHS shall each provide written notice to the other lender of the occurrence of a default, which written notice shall be sent no later than 15 days after the LENDER or USDA RHS has made a determination that a default has occurred. The written notice provided to the other lender shall specify the nature of the default and what action, if any, the sending party intends to take. Each lender shall promptly send to the other a copy of any notice or demand that it sends to BORROWER.

11. In the event collections received from the operation of the Property, whether prior to or after the occurrence of a default or the institution of foreclosure proceedings, are insufficient to pay both the payments then due under the USDA RHS loan and the payments then due under the LENDER'S loan, the collections shall be applied first to the amount then due on LENDER'S loan with the balance, if any, applied to pay the amount then due on USDA RHS's loans to BORROWER.

12. LENDER will take no action that would preclude BORROWER from being able to comply with applicable government statutes, regulations, instructions and terms of USDA RHS's agreements with BORROWER.



13. Subject to the provisions of paragraph 14 below, LENDER'S loan may be prepaid in part or in whole subject to prepayment premiums as defined in the note. Prepayment in no event shall effect, modify or terminate the provisions of paragraph 6 herein.

14. LENDER'S Note and mortgage with BORROWER will not be refinanced or assigned without the prior written approval of USDA RHS. LENDER will not make any protective advances with respect to the Property without prior written approval from USDA RHS.

15. Rental payments received from the Property may be assigned to LENDER by BORROWER, but the assignment cannot exceed the amount due on the Note as it comes due. BORROWER'S assignment of the rental payments to LENDER cannot be assigned to a subsequent assignee unless LENDER's Note and mortgage are also assigned with USDA RHS's approval.

16. This SUBORDINATION AGREEMENT and the rights and obligations of the parties hereunder shall be governed by, and construed and interpreted in accordance with, applicable federal law.

17. This SUBORDINATION AGREEMENT shall be binding upon and inure to the heirs, executors, administrators, successors and assigns of the respective parties.

18. This SUBORDINATION AGREEMENT may only be waived, discharged, modified, amended or terminated by mutual consent of the parties in writing.

19. This SUBORDINATION AGREEMENT may be executed in several counterparts, all or any of which shall be regarded for all purposes as duplicate originals and shall constitute and be but one and the same instrument.


[Signatures on following page]



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

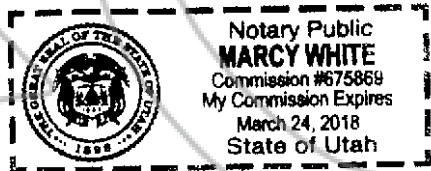
LENDER

BONNEVILLE MORTGAGE COMPANY,
 a Utah corporation

By: 
 Brent H. Peterson
 President, Multifamily Division

STATE OF UTAH)
 : ss.
 COUNTY OF SALT LAKE)

The foregoing instrument was acknowledged before me this 18th day of March, 2016, by Brent H. Peterson, President, Multifamily Division, Bonneville Mortgage Company, a Utah corporation.





 NOTARY PUBLIC

marcy white
 #675869
 exp: march 24, 2018

(place seal above)



DATED: March 22, 1016.

BORROWER

LINCOLN SENIOR HOUSING LLC,
a Nevada limited liability company

By: American Covenant Senior Housing Foundation, Inc.,
a Georgia nonprofit corporation

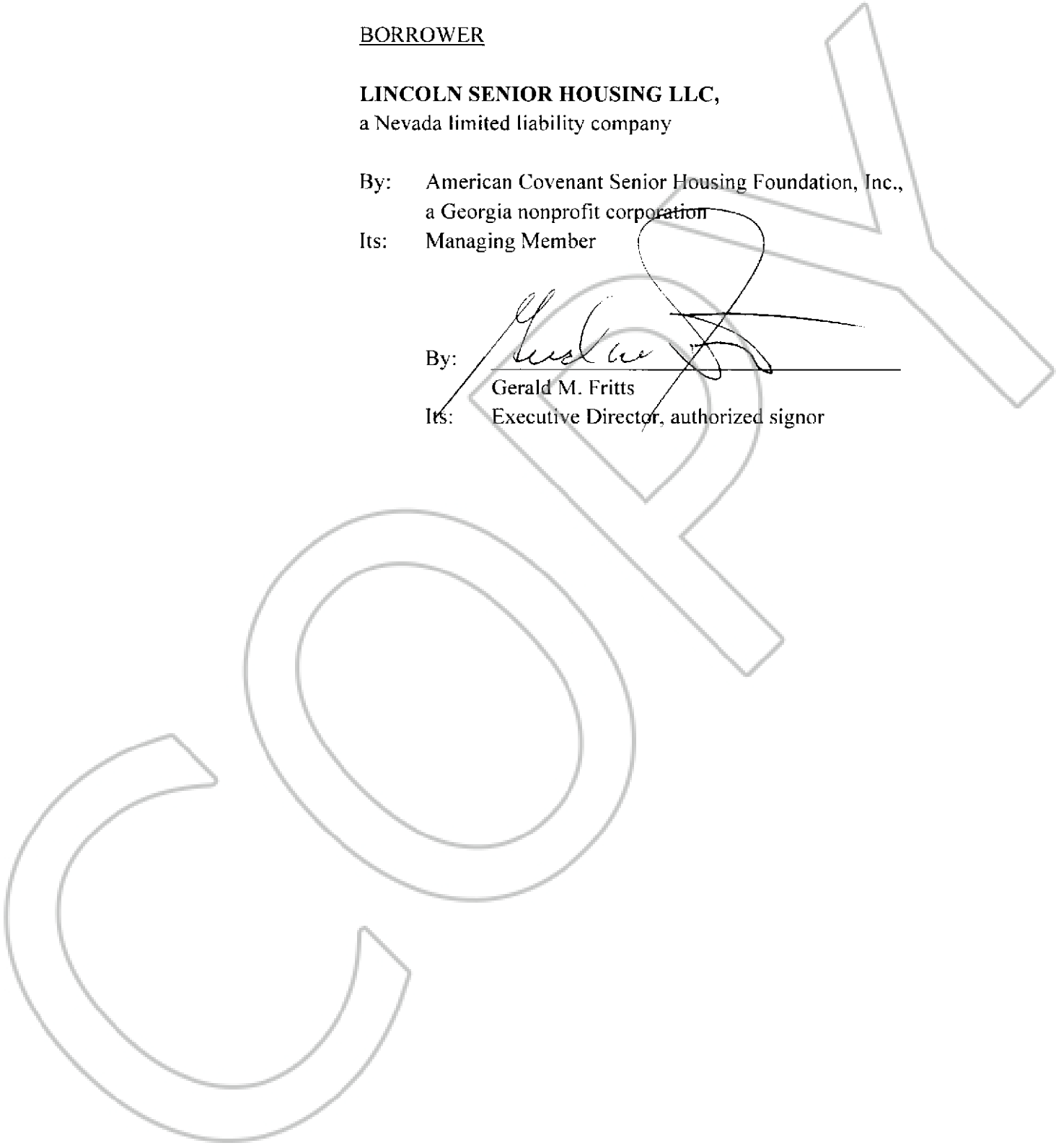
Its: Managing Member

By:


Gerald M. Fritts

Its:

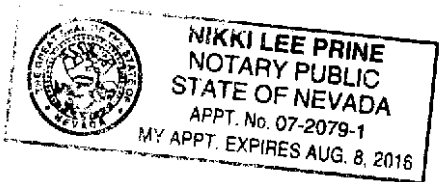
Executive Director, authorized signor





STATE OF NEVADA)
) : ss.
COUNTY OF Clark)

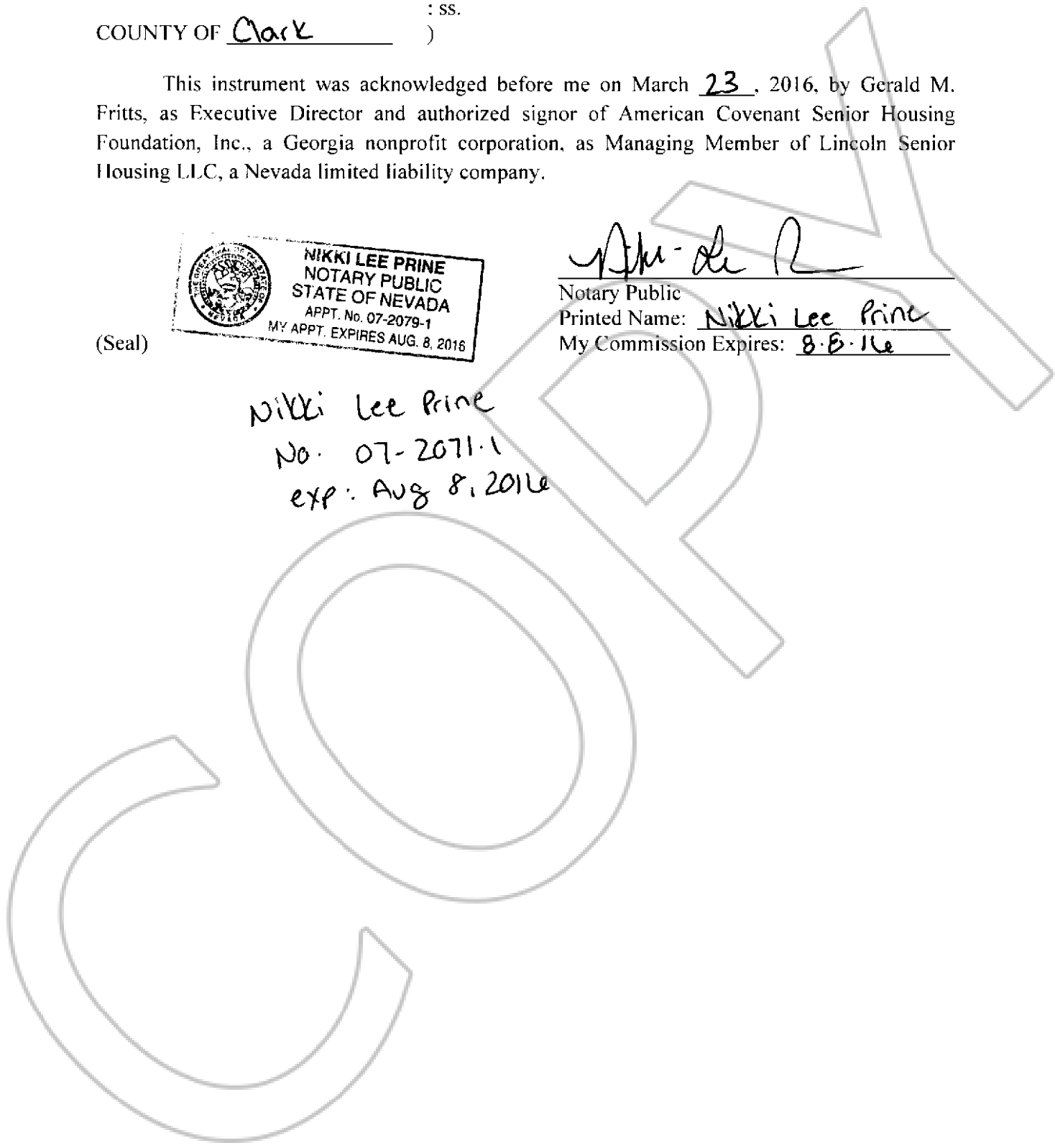
This instrument was acknowledged before me on March 23, 2016, by Gerald M. Fritts, as Executive Director and authorized signor of American Covenant Senior Housing Foundation, Inc., a Georgia nonprofit corporation, as Managing Member of Lincoln Senior Housing LLC, a Nevada limited liability company.



(Seal)

Nikki Lee Prine
Notary Public
Printed Name: Nikki Lee Prine
My Commission Expires: 8-8-16

Nikki Lee Prine
No. 07-2079-1
exp: Aug 8, 2016





**UNITED STATES OF AMERICA, acting through the
RURAL HOUSING SERVICE, UNITED STATES
DEPARTMENT OF AGRICULTURE**

By: Sarah Adler
March 24, 2016
Its: State Director
Sarah Adler

STATE OF NEVADA)
)
) : ss.
COUNTY OF Carson City)

This instrument was acknowledged before me on March 24th, 2016, by Sarah Adler, as State Director and authorized signor of the United States of America, acting through the Rural Housing Service, United States Department of Agriculture.



(Seal)

Dawn Brenneis
Notary Public
Printed Name: Dawn Brenneis
My Commission Expires: 1-9-2020

Dawn Brenneis
No. 12-6763-12
exp: Jan 9, 2020



EXHIBIT "A"
LEGAL DESCRIPTION

The real property located in Lincoln County, State of Nevada, and more particularly described as follows:

[See Attached]

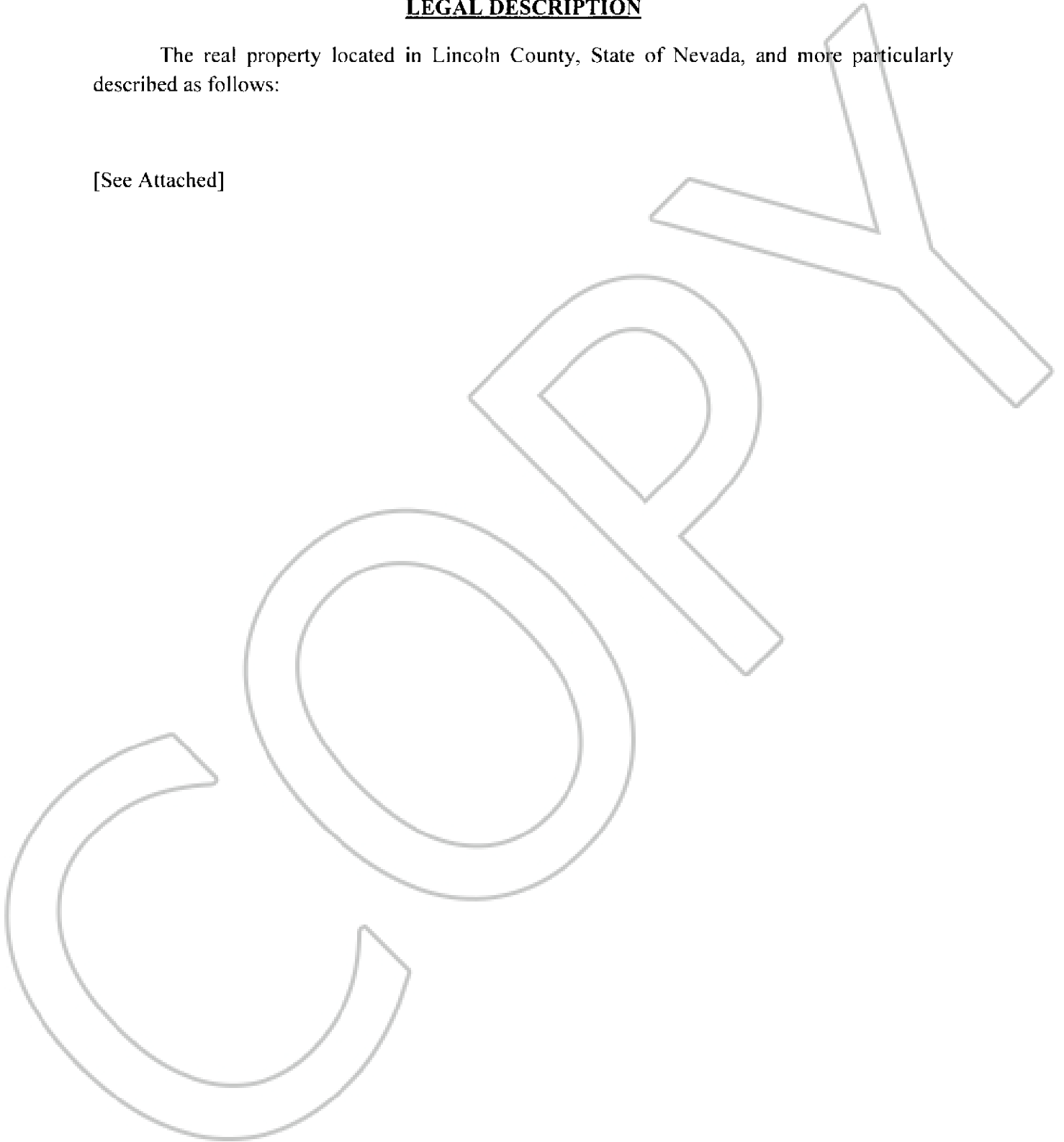




EXHIBIT "B"
RURAL DEVELOPMENT MORTGAGE

1. A Deed of Trust to secure an indebtedness of \$659,750.00, recorded August 12, 1980, in Book 39, Page 24 as Instrument No. 69450, in the County Recorder's Office of Lincoln, State of Nevada.
2. Declaration of Restrictive Covenants recorded November 17, 2015, in Book 299, Page 472, as Document No. 0148575, in the County Recorder's Office of Lincoln, State of Nevada, as may have been amended, supplemented and/or modified.
3. Any Financing Statement in favor of the United States of America identifying the Borrower as "Debtor" filed with the Nevada Secretary of State, and any security interest in the collateral identified or described therein.



Exhibit "A"

LOT ONE (1) IN BLOCK THIRTY-THREE (33) IN THE TOWN OF PANACA, AS SHOWN BY MAP THEREOF ON FILE IN THE OFFICE OF THE COUNTY RECORDER OF LINCOLN COUNTY, NEVADA.

