

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
DIVISION OF GRANTS AND SPECIAL PROGRAMS  
HOME-ARP DEFERRED PROMISSORY NOTE**

**\$272,786.00**

July \_\_\_\_\_, 2024

**FOR VALUE RECEIVED**, the undersigned, **QURESHI DEVELOPMENT GROUP, LLC**, a Kentucky limited liability company, 991 Star Shoot Parkway, Lexington, Kentucky 40509, ("Borrower"), does hereby promise and agree to pay to the order of the **LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**, an urban county government of the Commonwealth of Kentucky pursuant to Chapter 67A of the Kentucky Revised Statutes, 200 East Main Street, Lexington, Fayette County, Kentucky 40507, its successors or assigns, through its Division of Grants and Special Programs ("Government"), the principal sum of **Two Hundred Seventy Two Thousand Seven Hundred Eighty Six Dollars and 00/100 Cents (\$272,786.00)** in lawful money of the United States, with interest at the rate of zero percent (0%) per annum, amortized over twenty (20) years with the unpaid principal balance and all unpaid accrued interest due and payable on August 1, 2044 ("**Maturity Date**").

**LOAN CONDITIONS:**

**1.** This Note evidences a Loan by the Government to the Borrower for the exclusive purpose of rehabilitating residential rental property containing twenty (20) dwelling unit(s) located at 530 North Martin Luther King Boulevard, Lexington, Fayette County, Kentucky 40508, under the name of MLK Apartments ("Project") in the manner set out in the HOME-ARP Loan Agreement of even date herewith, by and between Borrower and the Government ("Agreement") and the monies so provided shall be used solely for such purpose.

**2.** No principal or interest payments will be required during the term of the indebtedness as long as the Borrower complies with all terms and conditions of this Note, the Mortgage of even date herewith, the Declaration of Restrictive Covenants, and the Loan Agreement (collectively, the "Loan Documents") between the Borrower and the Government. The Mortgage, the Declaration of Restrictive Covenants, and the Loan Agreement are incorporated herein by reference and made a part hereof.

**3.** This Note is a draw note for rehabilitation purposes and disbursements of principal hereunder shall be made to Borrower upon its delivery of invoices, or other evidence satisfactory to the Government, related to rehabilitation costs of the Project and supporting the amount requested.

**4.** If within one (1) year from the date of completion of the rehabilitation of the Project, said date established as the date of the final progress payment to Borrower, Borrower breaches any of the provisions of this Note or the Loan Agreement or the Mortgage or the Declaration of Restrictive Covenants, such shall be considered an event of default and the full disbursed amount of the Loan, plus fifteen per cent (15%) of that full amount, shall be immediately due and payable; provided, before the Government may accelerate any amount due under the Loan or take advantage of any other remedies, Borrower shall have a thirty (30) day grace period from

receipt of written notice of default to cure such default.

5. If during the second through twentieth (20<sup>th</sup>) year of the Loan the Borrower breaches any of the provisions of this Note or the Agreement or the Mortgage, such shall be considered an event of default and the fully disbursed amount of the Loan, plus twelve per cent (12%) of that amount, shall be immediately due and payable; provided, before the Government may accelerate any amount due under the Loan or take advantage of any other remedies, Borrower shall have a thirty (30) day grace period from receipt of written notice of default to cure such default.

6. Any default on a superior lien encumbering the Project or any initiation of a foreclosure based on any lien encumbering the Project shall be an event of default under this Note and the Loan Agreement and the Mortgage and the full disbursed amount of the Loan, plus twelve per cent (12%) of that full amount, shall be immediately due and payable.

7. The Loan evidenced by this Note may be assumed by an individual or entity capable and able to enter into enforceable contracts, agreements or other loan documents as may be required to ensure compliance with the requirements and intent of the HOME-ARP Program upon the prior written consent of the Government, which consent shall not be unreasonably withheld or delayed.

8. This Note shall be the joint and several obligation of all makers, co-makers, endorsers, sureties and guarantors and shall be binding upon them and their successors, heirs or assigns and each waives demand, presentment and protest and notice of dishonor, and agree in case of any default to pay all costs of collection, including reasonable attorney fees and legal expenses.

9. Except as otherwise provided in this Paragraph, Borrower shall have no personal liability under this Note or any of the other Loan Documents for the repayment of the amount due and owing hereunder (the "Indebtedness") or for the performance of any other obligations of Borrower under the Loan Documents, and the Government's only recourse for the satisfaction of the Indebtedness and the performance of such obligations shall be the Government's exercise of its rights and remedies with respect to the Mortgaged Property (as such term is defined in the Mortgage of even date herewith) and any other collateral held by the Government as security for the Indebtedness. This limitation on Borrower's liability shall not limit or impair the Government's enforcement of its rights against any guarantor of the Indebtedness or any guarantor of any obligations of Borrower.

Borrower shall be personally liable to the Government for the repayment of a portion of the Indebtedness equal to any loss or damage suffered by the Government as a result of:

(a) failure of Borrower to pay to Lender upon demand after default under any of the Loan Documents, which, with the passage of time or the giving of notice or both shall constitute a default (an "Event of Default"), all rents to which the Government is entitled under the Mortgage and the amount of all security deposits collected by Borrower from tenants then in residence;

(b) failure of Borrower to apply all insurance proceeds and condemnation proceeds as required by the Mortgage;

(c) fraud or written material misrepresentation by Borrower, the Borrower's Key Principal, or any officer, director, partner, member or employee of Borrower in connection with the application for or creation of the Indebtedness or any request for any action or consent by the Government;

(d) failure to apply rents, first, to the payment of reasonable operating expenses (other than property management fees that are not currently payable pursuant to the terms of any agreement with the Government executed in connection with the Loan) and then to debt service amounts, except that Borrower will not be personally liable (1) to the extent that Borrower lacks the legal right to direct the disbursement of such sums because of a bankruptcy, receivership or similar judicial proceeding, or (2) with respect to rents that are distributed in any calendar year if Borrower has paid all operating expenses and debt service amounts for that calendar year.

Borrower shall become personally liable to the Government for the repayment of all of the Indebtedness upon the occurrence of any of the following Events of Default:

(a) Borrower's acquisition of any property or operation of any business not permitted by the Mortgage;

(b) a transfer that is an Event of Default under the Mortgage;

(c) the occurrence of a Bankruptcy Event (but only if the Bankruptcy Event occurs with the consent, encouragement or active participation of Borrower, Key Principal or any Borrower Affiliate). As used herein, "Bankruptcy Event" shall mean (1) a voluntary insolvency or bankruptcy proceeding or (2) an involuntary insolvency or bankruptcy proceeding which is (i) commenced by the Borrower, the Borrower's Key Principal or any person or entity controlling or under common control with such parties (the "Borrowing Group") or (ii) in which any member of the Borrowing Group objects to a motion by the Government for relief from any stay or injunction from the foreclosure of the Mortgage or any other remedial action permitted under the Note, the Mortgage or any of the other Loan Documents.

To the extent that Borrower has personal liability under Paragraph 9, the Government may exercise its rights against Borrower personally without regard to whether the Government has exercised any rights against the Mortgaged Property or any other security, or pursued any rights against any guarantor, or pursued any other rights available to the Government under this Note, the Mortgage, any other Loan Document or applicable law. For purposes of this Paragraph, the term "Mortgaged Property" shall not include any funds that (1) have been applied by Borrower as required or permitted by the Mortgage prior to the occurrence of an Event of Default, or (2) Borrower was unable to apply as required or permitted by the Mortgage because of a bankruptcy, receivership, or similar judicial proceeding.

**10.** The indebtedness evidenced by this Note is secured by a Mortgage of even date herewith in favor of the Government on real property, which will be recorded in the Office of the Fayette County Clerk, and reference is made to said instrument for rights as to acceleration of the indebtedness evidenced by this Note.

**11.** Invalidation of any one of these provisions by judgment or Court order shall not affect any other provisions of this Note, which provisions shall remain in effect.

**12.** The undersigned may only prepay the principal amount outstanding in whole or in part at any time without penalty after first receiving the written consent of all Senior Lenders as identified and defined in the Loan Agreement.

**IN WITNESS WHEREOF**, the parties have executed this Note on the day and year first above written.

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**SIGNATURE PAGE TO FOLLOW**

