

SECOND MORTGAGE

THIS MORTGAGE, made this 20th day of April, 1994 between SRO, Ltd., a Kentucky limited partnership, with its principal place of business at 219 East Short Street, Lexington, Fayette County, Kentucky 40507 (hereinafter referred to as the Mortgagor) and Lexington-Fayette Urban County Government under the laws of the Commonwealth of Kentucky at 200 East Main Street, Lexington, Fayette County, Kentucky 40507 (hereinafter referred to as the Mortgagee), which

designations shall also include the respective successors and assigns of said Mortgagor and Mortgagee. WITNESSETH: That in order to secure payment of the debt hereinafter mentioned and created and the Mortgagor does by these presents grant, bargain, sell, convey, and warrant unto the said Mortgagee, the following-described premises situated and being in Lexington, Fayette County, Commonwealth of Kentucky, to wit:

See Exhibit "A" attached hereto

This is a second mortgage, second and inferior to that first mortgage of record in Mortgage Book _____, Page _____, in the Fayette County Court Clerk's Office.

Being the same property conveyed to Mortgagee by _____, day of _____, 19____, and recorded in Deed-Book _____, County-Court.

TOGETHER WITH the buildings and improvements now or hereafter erected thereon and the privileges and appurtenances thereunto belonging, and all the rents, issues, and profits which may arise or be had therefrom; and together with all fixtures and articles (personal property of the Mortgagor now or hereafter to be attached to or used in and about the building or buildings now erected (hereafter to be erected on the lands herein described which are necessary to the complete and comfortable use and occupancy of such building or buildings for the purposes for which they were or are to be erected, including, but not limited to, all awnings, venetian blinds, screens, shades fixtures, and all plumbing, heating, lighting, cooking, ventilating, refrigerating, incinerating equipment, fixture and appurtenances thereto and such other goods and chattels and personal property as are ever used or furnished in operating a building or the activities conducted therein, similar to the one herein described and referred to, and all renewals and replacements thereof (articles in substitution therefor, whether or not the same are, or shall be attached to said building or buildings in any manner. Together with all building materials and equipment now or hereafter delivered to said premises and intended to be installed therein. All of the foregoing shall be deemed to be, remain and form part of the realty and are covered under this Mortgage. If the Mortgagor shall, at the date hereof, acquire any additional real or personal property, which would, if now owned by the Mortgagor, be subject to the terms of this mortgage, it shall notify the Mortgagee and the Secretary of Housing and Urban Development of such acquisition, within the nature, quantity, or amount of such property so acquired and the interest of the Mortgagor therein. All such property or the interest of the Mortgagor therein shall, upon acquisition by the Mortgagor, forthwith and without further act, become subject to the mortgage.

TO HAVE AND TO HOLD these said premises and other property to the said Mortgagee, its successors and assigns forever, for the uses and purposes herein expressed with covenants of general warranty and against incumbrances:

Remitted to Lisa F. Dand
175 E. MAIN ST.
MUD-64133-014
MULTIFAMIL

FOR THE PURPOSE OF SECURING:

First. Payment of the indebtedness evidenced by Promissory Note of even date herewith, made by the Mortgagor payable to the Mortgagee or order, in the principal sum of

Seven Hundred Twenty Thousand ----- Dollars (\$720,000.00),

with interest from date at the rate of Zero per centum (0 %) per annum on the unpaid balances thereof until paid, the said principal and interest being payable in monthly installments as provided in said Note with a final maturity of Sept. 1, 2035, which Note is identified as being secured hereby by a certificate thereon. Said Note and all of its terms are incorporated herein by reference and this conveyance shall secure any and all extensions thereof, however evidenced.

Second. Performance of each and every covenant, condition, and agreement herein contained.

AND MORTGAGOR COVENANTS, PROMISES, AND AGREES HEREBY:

1. That Mortgagor will pay the Note at the times and in the manner provided therein;
2. That Mortgagor will not permit or suffer the use of any of the property for any purpose other than the use for which the same was intended at the time this mortgage was executed;
3. That the Regulatory Agreement, if any, executed by the Mortgagor and the Secretary of Housing and Urban Development, which is being recorded simultaneously herewith, is incorporated in and made a part of this mortgage. Upon default under the Regulatory Agreement and upon the request of the Secretary of Housing and Urban Development, the Mortgagor, at its option, may declare the whole of the indebtedness secured hereby to be due and payable;

4. ~~That all rents, profits and income from the property covered by this mortgage are hereby assigned to the Mortgagee for the purpose of discharging the debt hereby secured. Permission is hereby given to Mortgagee, so long as no default exists hereunder, to collect such rents, profits and income;~~

5. ~~That upon default hereunder Mortgagee shall be entitled to the appointment of a receiver by any court having jurisdiction, without notice, to take possession and protect the property described herein and operate same and collect the rents, profit and income therefrom;~~

6. ~~That at the option of the Mortgagor the principal balance secured hereby may be amortized on terms acceptable to the Secretary of Housing and Urban Development if a partial prepayment results from an award in condemnation in accordance with provisions of Paragraph 8, herein, where there is a resulting loss of project income;~~

7. That the Mortgagor will keep the improvements now existing or hereafter erected on the mortgaged property insured against loss by fire and such other hazards, casualties, and contingencies, as may be stipulated by the Secretary of Housing and Urban Development upon the insurance of the Mortgage and other hazards as may be required from time to time by the Mortgagee, and all such insurance shall be evidenced by standard Fire and Extended Coverage Insurance Policy or policies, in amounts not less than necessary to comply with the applicable Coinsurance Clause percentage, but in no event shall the amounts of coverage be less than eighty per centum (80%) of the Insurable Values or not less than the unpaid balance of the insured mortgage, whichever is the lesser, and in default thereof the Mortgagee shall have the right to effect insurance. Such policies shall be endorsed with standard Mortgagee clause with loss payable to the Mortgagee and the Secretary of Housing and Urban Development as interest may appear, and shall be deposited with the Mortgagee.

That if the premises covered hereby, or any part thereof, shall be damaged by fire or other hazard against which insurance is held as hereinabove provided, the amounts paid by any insurance company in pursuance of the contract of insurance to the extent of the indebtedness then remaining unpaid, shall be paid to the Mortgagee, and, at its option, may be applied to the debt or released for the repairing or rebuilding of the premises;

8. ~~That all awards of compensation in connection with condemnation for public use of or a taking of any of the property, shall be paid to the Mortgagee to be applied to the amount due under the Note secured hereby in (1) amounts equal to the next maturing installment or installments of principal and (2) with any balance to be credited to the next payment due under the Note. That all awards of damages in connection with any condemnation for public use of or injury to any residue of that property shall be paid to the Mortgagee to be applied to a fund held for and on behalf of the Mortgagee which fund shall, at the option of Mortgagee, and with the prior approval of the Secretary of Housing and Urban Development, either be applied to the amount due under the Note as specified in the preceding sentence or be disbursed for the restoration or repair of the damage to the residue. No amount applied to the redemption of the principal amount due in accordance with (1) shall be considered an optional prepayment at the time it is used in this Mortgage and the Note secured hereby, nor relieve the Mortgagor from making regular monthly payments commencing on the first day of the first month following the date of receipt of the award. The Mortgagee is hereby authorized in the name of the Mortgagor to execute and deliver valid acquittances for such awards and to appeal from such awards.~~

9. That Mortgagor is the owner in fee simple of said premises, is in peaceable possession of same and has full power to convey the same and the title so conveyed is free, clear, and unencumbered except taxes not due and payable;

10. To commit or suffer no waste of said property, to maintain and keep the buildings, fences, and other improvements to be erected on said premises in good condition and repair and promptly to effect such repairs thereof as Mortgagee may require and in the event of the failure of the Mortgagor to keep the buildings on said premises and those to be erected on said premises, or improvements thereon, in good repair, the Mortgagee may make such repairs as in its discretion it may deem necessary for the proper preservation thereof, and any sums paid for such repairs shall bear interest from the date of payment at the rate specified in the Note, shall be due and payable on demand and shall be fully secured by this Mortgagee;

11. ~~That, in order more fully to protect the security of this Mortgage, the Mortgagor, together with and in addition to the monthly payments under the terms of the Note secured hereby, until the said Note is fully paid, will pay to the Mortgagee monthly on the first day of each month the following sums:~~

(a) ~~An amount sufficient to provide the Mortgagee with funds to pay the next mortgage insurance premium if this instrument and the Note secured, or a monthly service charge, if they are held by the Secretary of Housing and Urban Development, as follows:~~

(1) ~~If and so long as said Note of even date and this instrument are insured or are reinsured under the provisions of the National Housing Act, an amount sufficient to accumulate in the hands of the Mortgagee one month prior to its due date the annual mortgage insurance premium. In order to provide such Mortgagee with funds to pay such premium to the Secretary of Housing and Urban Development pursuant to the National Housing Act, as amended, and applicable Regulations thereunder;~~

(11) If and so long as said Note of even date and the instrument are held by the Secretary of Housing and Urban Development, a monthly service charge in an amount equal to 1/2 of the average outstanding principal balance due on the note computed for each successive year beginning with the first day of the month following the date of this instrument, if the Secretary of Housing and Urban Development is the Mortgagee named herein, or the first day of the month following assignment, if the note and this instrument are assigned in the Secretary of Housing and Urban Development, without taking into account delinquencies or prepayments;

(b) A sum equal to the ground rents, if any, next due, plus the premiums that will next become due and payable on the policies of fire and other property insurance covering the premises covered hereby, plus water rates, taxes and assessments next due on the premises covered hereby (all as estimated by the Mortgagee) less all sums already paid therefor divided by the number of months to elapse before one month prior to the date when such ground rents, premiums, water rates, taxes and assessments will become delinquent, such sums to be held by Mortgagee in trust to pay said ground rents, premiums, water rates, taxes, and special assessments;

(c) All payments mentioned in the two preceding paragraphs of this paragraph and all payments to be made under the Note secured hereby shall be added together and the aggregate amount thereof shall be paid each month in a single payment to be applied by Mortgagee to the following items in the order set forth:

- (I) premium charges under the Contract of Insurance with the Secretary of Housing and Urban Development or service charges;
- (II) ground rents, taxes, special assessments, water rates (if any) and other property insurance premiums;
- (III) interest on the Note secured hereby;
- (IV) amortization of the principal of said Note;

12. Any excess funds accumulated under (b) of the preceding paragraph remaining after payment of the items therein mentioned, shall be credited to subsequent monthly payments of the same nature required thereunder; but if any such items shall exceed the estimate therefor, or if the Mortgagee shall fail to pay any other governmental or municipal charge, the Mortgagee shall forthwith make good the deficiency or pay the charge before the same become delinquent or subject to interest or penalties and in default thereof the Mortgagee may pay the same. All such sums so paid by the Mortgagee and any sums which the Mortgagee may be required to advance to pay mortgage insurance premiums shall be added to the principal of the debt secured hereby and shall bear interest from the date of payment at the rate specified in the Note and shall be due and payable on demand. In case of termination of the Contract of Mortgage Insurance by prepayment of the Mortgage in full, or otherwise (except as hereinafter provided), accumulations under (a) of the preceding paragraph hereof not required to meet payments due under the Contract of Mortgage Insurance, and any remaining balances of the Mortgage, if the property is sold under foreclosure or is otherwise acquired by the Mortgagee after default, and accumulations under (a) of the preceding paragraph shall be credited to the principal of the Mortgage as of the date of the commencement of foreclosure proceedings or as of the date the property is otherwise acquired; and accumulations under (a) thereof shall be likewise credited unless required to pay sums due the Secretary of Housing and Urban Development under the Contract of Mortgage Insurance;

13. That the Mortgagee will give immediate notice by mail to the Mortgagee and the Secretary of Housing and Urban Development of any fire damage or other casualty to the premises;

14. That no waiver of any covenant herein or of the Note secured hereby shall at any time thereafter be held to be a waiver of the terms hereof or of the Note secured hereby;

15. That all payments made by the Mortgagee to remedy a default by the Mortgagee as aforesaid and the total of any payment or payments due from the Mortgagee to the Mortgagee and in default shall be added to the debt secured by this Mortgage and shall be repaid to the Mortgagee upon demand. Interest shall not be compounded. Any such sum and interest thereon at the rate specified in the Note shall be a lien on the premises, prior to any other lien attaching or accruing subsequent to the lien of this Mortgage;

FIRST

16. That so long as the Mortgage is insured or held by the Secretary of Housing and Urban Development under the provisions of the National Housing Act, it will not voluntarily create or permit to be created against the property subject to this Mortgage any lien or liens inferior or superior to the lien of this Mortgage, and further it will keep and maintain the same free from the claim of all persons supplying labor or materials which will enter into the construction of any and all buildings now being erected or to be erected on said premises;

17. That the improvements about to be made upon the premises above described and all plans and specifications comply with all municipal ordinances and regulations made or promulgated by lawful authority, and that the same will upon completion comply with all such municipal ordinances and regulations and with the rules of the fire rating or inspection organization, bureau, association or office having jurisdiction which may now or hereafter become applicable;

18. That the funds to be advanced herein are to be used in the construction of certain improvements on the lands herein described, in accordance with a building loan agreement between the Mortgagee and the Mortgagee, dated December 16

19 93, which building loan agreement the Mortgagee covenants to perform. If the construction of the improvements to be made pursuant to said building loan agreement shall not be carried on with reasonable diligence, it shall be discontinued at any time for any reason other than strikes or lockouts, the Mortgagee, after due notice to the Mortgagee or any subsequent owner, is hereby granted with full and complete authority to enter upon the said premises, employ workmen to protect such improvements from depreciation or injury and to preserve and protect the personal property therein, and to continue any and all outlays whenever necessary, either in its own name or in the name of the Mortgagee, and to pay and discharge all debts, obligations, and liabilities incurred thereby. All such sums advanced by the Mortgagee (exclusive of advances of the principal of the indebtedness secured payable on demand with interest at the rate specified in the Note, but no such advances shall be insured unless same are specifically approved by the Secretary of Housing and Urban Development prior to the making thereof). The principal sum and other charges provided for herein shall, at the option of the Mortgagee or holder of this Mortgage and the Note secured thereby, become due and payable on the failure of the Mortgagee to keep and perform any of the covenants, conditions, and agreements of said building loan agreement. This covenant shall terminate upon the completion of the improvements to the satisfaction of the Mortgagee and the making of the final advance as provided in said building loan agreement;

19. That in the event of default in making any monthly payment provided for herein or in the Note secured hereby and if such default is not made good prior to the due date of the next such installment or in the event of a breach of any other stipulation, agreement, condition and covenant of this Mortgage, then in any such case, the whole principal sum of said Note shall, at the option of the Mortgagee, be deemed to have become immediately due, and the same with interest thereon and with all other costs and charges, shall thereupon be collectible by foreclosure of this Mortgage, and any failure to exercise said option shall not constitute a waiver of the right to exercise the same at any other time;

20. The Mortgagor covenants and agrees that so long as this Mortgage and the said Note secured hereby are insured or held by the Secretary of Housing and Urban Development under the provisions of the National Housing Act, it will not execute or file for record any instrument which imposes a restriction upon the sale or occupancy of the mortgage property on the basis of race, color, creed or national origin.

The covenants herein contained shall bind, and the benefits and advantages shall inure to, the respective successors and assigns of the parties hereto and to the extent permitted by law shall be binding upon any subsequent owner of the mortgaged premises. Whenever used, the singular number shall include the plural, the plural the singular, and the use of any gender shall include all genders. The term "Mortgage" shall include any lawful holder of the note secured hereby.
SEE EXHIBIT "B" ATTACHED HERETO

PROVIDED ALWAYS, NEVERTHELESS, that if Mortgagor shall pay all of said indebtedness and shall fully keep and perform all the covenants, promises, and agreements of Mortgage herein and in said Note contained, then this Mortgage shall be void and shall be released and canceled at the cost of Mortgagor.

The name, residence and post office address of the Mortgagee, being the party owning the debt secured hereby is
Lexington-Fayette Urban County Government, 200 East Main Street,

Lexington, Kentucky 40507

IN WITNESS WHEREOF, the said Mortgagor has caused these presents to be signed in its name by its officer thereunto duly authorized and its corporate seal to be hereunto affixed the day and year first above written.

GPO 879-654

[CORPORATE SEAL]

ATTEST:



Jon K. Elliott, Treasurer

SRO, LTD.

BY:  **FOUNDATION FOR AFFORDABLE HOUSING, INC. GENERAL MANAGER**

By  **William R. Embury, Jr., President.**

STATE OF KENTUCKY

COUNTY OF JEFFERSON

I, Cecil F. Dunn

do hereby certify that on this day the foregoing instrument of writing from **SRO, Ltd.**, a Kentucky Limited Partnership, Government **FOUNDATION FOR AFFORDABLE HOUSING, INC.** was produced to me in my county by the parties, and acknowledged and delivered before me by **William R. Embury, Jr.**, which is the General Partner of **SRO, Ltd.**, President of **Foundation for Affordable Housing, Inc.**, **William R. Embury, Jr., General Partner of SRO, Ltd.**

Given under my hand and seal of office this 20th

day of April, 1994.

[SEAL]


 (Signature and title)

My commission expires 1-21-96

Notary Public, State at Large, KY.

This instrument prepared by
Cecil F. Dunn, Attorney
 175 East Main Street, Suite 300
 Lexington, KY 40507



COMMONWEALTH OF KENTUCKY

Loan No.

Mortgage

SRO, LTD.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT

TC

Received for Record this 20th day of

April, 1994, at

o'clock m., and recorded in Deed Mortgage Book, at pages

of Fayette County, Kentucky.

County Clerk of Fayette

County, Kentucky.

EXHIBIT "A"

SRO, LTD.

Beginning at a point at the intersection of the southeast right of way line of Spruce Street with the southwest right of way line of Corral Street; thence with the southwest right of way line of Corral Street South 38 deg 15 min 10 sec East 193.94 feet to an iron pin at the intersection with the former northwest right of way line of Deweese Street; thence continuing with the southwest right of way line of Corral Street South 38 deg 15 min 10 sec East 21.32 feet to a point; thence South 36 deg 12 min 36 sec East 26.70 feet to a point; thence South 29 deg 49 min 22 sec East 10.29 feet to a point at the intersection with the northwest right of way line of Rose Street; thence leaving the southwest right of way line of Corral Street and with the northwest right of way line of Rose Street South 33 deg 10 min 41 sec West 69.22 feet to a point; thence North 82 deg 08 min 48 sec West 12.77 feet to a point; thence along the arc of a curve to the right having a radius of 13.41 feet and a long chord at North 15 deg 19 min 59 sec West 24.66 feet and a curve length of 31.29 feet to a point in the new northeast right of way line of Deweese Street; thence leaving the northwest right of way line of Rose Street and with the new northeast right of way line of Deweese Street North 38 deg 31 min 11 sec West 48.00 feet to a point in the northwest right of way line of Deweese Street; thence leaving the new northeast right of way line of Deweese Street and with the northwest line of Deweese Street South 51 deg 28 min 49 sec West 157.15 feet to an iron pin at the southeast corner of a lot as conveyed to Leon and Bettye Underwood by deed dated 4 December, 1990, of record in Deed Book 1568, Page 626, in the Fayette County Clerk's Office; thence leaving the northwest line of Deweese Street and with the northeast line of Underwood North 38 deg 37 min 58 sec West 120.38 feet to an iron pin at the northeast corner of said Underwood lot, said pin being in the southeast line of a lot as conveyed to the Armored Car Company, Inc. by deed dated 22 April, 1971, of record in Deed Book 1013, Page 91, in the aforementioned County Clerk's Office; thence leaving the Underwood lot and with the southeast line of the Armored Car Company, Inc. lot North 51 deg 59 min 49 sec East 49.00 feet to an iron pin at the southeast corner of the Armored Car Company, Inc. lot; thence with the northeast line of the Armored Car Company lot North 38 deg 03 min 27 sec West 76.25 feet, passing the northeast corner of the Armored Car Company, Inc. lot at 73 feet to a point at the intersection of the southwest right of way line of Clark Street with the southeast right of way line of Spruce Street, said point being in the northeast line of a lot as conveyed to Lexington-Fayette Urban County Government by deed dated 9 December, 1985, of record in Deed Book 1390, Page 585, in the aforementioned County Clerk's Office; thence with the southeast line of Spruce Street North 52 deg 12 min 38 sec East 176.25 feet to the point of beginning and containing 1.0365 acre, more or less; and,

Being the same property conveyed to SRO, Ltd. by the following deeds:

Dated December 21, 1993, and of record in Deed Book 1706, Page 680, in the Fayette County Court Clerk's Office;

Dated January 6, 1993, and of record in Deed Book 1660, Page 374, in the Fayette County Court Clerk's Office;

Dated December 28, 1992, and of record in Deed Book 1659, Page 576, in the Fayette County Court Clerk's Office;

Dated May 14, 1993, and of record in Deed Book 1675, Page 144, in the Fayette County Court Clerk's Office;

Dated March 2, 1994, and of record in Deed Book 1715, Page 402, in the Fayette County Court Clerk's Office; and

Dated April 12, 1994, and of record in Deed Book 1721, Page 642, in the Fayette County Court Clerk's Office.

EXHIBIT B

21. No principal or interest payments will be required as long as Mortgagor complies with all terms and conditions of this Note, the Mortgagor of even date herewith, and the Agreement between Mortgagor and the Lexington-Fayette Urban County Government dated December 16, 1993, as amended. Upon breach or default of any of the terms and conditions of this Note, or the Mortgage and Agreement which are incorporated herein by reference, the full amount disbursed to the Mortgagor shall be repaid to the Lexington-Fayette Urban County Government. Payment of such amounts or the collection of same by the Lexington-Fayette Urban County Government shall be in accordance with applicable regulations and restrictions governing HUD insured first mortgages.

22. Mortgagor acknowledges and agrees that this loan is being made in accordance with the HOME Investment Partnership Program ("Program") and that the occurrence of one of the following events constitutes a breach or default of the terms and conditions of this Note:

(a) Failure of the Mortgagor, its assigns, lessees, successors in interest and subsequent purchasers, to maintain the subject real property and any present or future improvements, solely as residential property and rent the same to low income and very low income households according to the requirements and conditions of the Program.

(b) Sale, conveyance or other transfer of the subject real property and any present or future improvements thereon to an entity unwilling or unable to enter into a contract containing the terms, conditions and purposes of the Agreement dated December 16, 1993 between Mortgagor and the Lexington-Fayette Urban County Government. In no event shall the Mortgagor sell, convey or otherwise transfer the real property and any improvements thereon without the prior written consent of the Lexington-Fayette Urban County Government.

(c) Failure of the Mortgagor to substantially comply with the plans and specifications and the Summary and Sources and Uses of funds as provided to the Lexington-Fayette Urban County Government in accordance with the Agreement dated December 16, 1993.

(d) Failure of the Mortgagor to complete the construction of the residential facility by June 30, 1995 without having obtained a written extension of the completion date for just cause from the Lexington-Fayette Urban County Government or failure to complete the residential facility by any extended completion date as agreed to in writing.

(e) Failure of a subsequent purchaser to maintain and operate the residential facility according to the terms and conditions of the Agreement dated December 16, 1993 and the Program for the term of any FHA insured mortgage.

(f) Failure to comply with the Equal Opportunity and Fair Housing requirements as set forth in 24 CFR §92.350.

I, Donald W Blevins, County Court Clerk
of Fayette County, Kentucky, hereby
certify that the foregoing instrument
has been duly recorded in my office.



By: Bob HOLLIDAY, dc

199404200193

April 20, 1994 15:59:28 PM

Fees	\$16.50	Tax	\$0.00
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Total Paid	\$16.50
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8 Pages

712 - 719