

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
AFFORDABLE HOUSING FUND  
LOAN AGREEMENT**

**THIS LOAN AGREEMENT** ("Agreement") is made and entered into this 29 day of July 2017 by and between **LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**, an urban county government created pursuant to KRS Chapter 67A, whose principal address is 200 East Main Street, Lexington, Kentucky 40507 (hereinafter referred to as "LFUCG") through its **OFFICE OF AFFORDABLE HOUSING**, and **LRC – DOWNING PLACE, LP**, a Kentucky limited partnership, whose principal address is c/o LEDIC Realty Company, LLC, 105 Tallapoosa Street, Suite 300, Montgomery, Alabama 36104 (hereinafter referred to as the "Borrower").

**WITNESSETH:**

**WHEREAS**, pursuant to Chapter 2, Article XXXXV, Section 2-482 of the Lexington-Fayette Urban County Code of Ordinances ("the Code"), the Affordable Housing Fund ("the Fund") was created to preserve, produce, and provide safe, quality, and affordable housing; and

**WHEREAS**, pursuant to Chapter 2, Article XXXXV, Section 2-479 of the Code, the Affordable Housing Governing Board oversees and manages the administration of the Fund; and

**WHEREAS**, Borrower by application dated September 19, 2016 (hereinafter referred to as the "Application"), attached hereto and incorporated herein as Exhibit A, has requested funds for a specific housing related project described below (hereinafter referred to as the "Eligible Activity"); and

**WHEREAS**, in order to assist Borrower in the funding of the Eligible Activity, LFUCG is willing to make funds available to Borrower from the Fund under the terms and conditions of this Agreement; and

**WHEREAS**, on the 27<sup>th</sup> day of March, 2017, LFUCG issued to Borrower a Commitment Letter under LFUCG's Affordable Housing Fund Program (hereinafter referred to as the "Program") which was accepted by Borrower ("Commitment Letter"), attached hereto as Exhibit B and the terms and conditions of which are incorporated herein; and

**WHEREAS**, the project for which Borrower has been approved includes acquisition, construction and/or rehabilitation activities.

**NOW, THEREFORE**, the parties do hereby agree as follows:

**Article 1 - Commitment**

**1.1 LFUCG'S COMMITMENT.** Pursuant to the Application, the Commitment Letter and this Agreement, LFUCG will make available an amount not to exceed **SIX HUNDRED THOUSAND AND 00/100 DOLLARS (\$600,000.00)** to Borrower from the Fund (hereinafter referred to as the "Funds"). The Funds will be disbursed by LFUCG to Borrower in accordance with the requirements set forth in this Agreement and conditioned upon Borrower's continued satisfactory performance under the terms of this

Agreement. The Funds will be made available in the form of a **THREE HUNDRED THOUSAND AND 00/100 DOLLARS (\$300,000.00)** amortizing mortgage loan (hereinafter referred to as "Mortgage Loan") and a **THREE HUNDRED THOUSAND AND 00/100 DOLLARS (\$300,000.00)** deferred loan (hereinafter referred to as "Deferred Loan"). The Mortgage Loan shall accrue interest at the rate of four percent (4%) per annum for a 35-year term. The Mortgage Loan will be evidenced by a promissory note ("Mortgage Note") in form and substance satisfactory to LFUCG payable to LFUCG and signed by Borrower. Principal and interest (if any) of the Mortgage Loan shall be amortized in equal, consecutive monthly installments of principal and accrued but unpaid interest, commencing as set forth in the Mortgage Note and continuing until principal and interest have been paid in full. All unpaid principal and accrued interest shall be due July 1, 2052 ("Maturity Date"). The Deferred Loan shall be deferred for 35 years, or July 1, 2052 ("Deferred Loan Maturity Date") at an interest rate of 0%. All unpaid principal and interest on the Deferred Loan shall be due and payable in full on the Deferred Loan Maturity Date, provided, however that LFUCG in its sole discretion may elect not to require payment on the Deferred Loan Maturity date, so long as, Borrower has satisfactorily complied with terms of Deferred Loan. The Deferred Loan will be evidenced by a promissory note ("Deferred Note") in form and substance satisfactory to LFUCG payable to LFUCG and signed by Borrower. In the event of any inconsistency between the Application, the Commitment Letter and this Agreement, this Agreement will control. The Funds will be disbursed at the time of construction and/or rehabilitation. The Funds will be expended only for the purpose of construction, renovation and/or rehabilitation of the Project (defined below) described in the mortgage(s) executed pursuant to Section 1.2 below and in conformity with the other provisions of this Agreement, the Commitment and the Application. Further, LFUCG will not be required to advance any amount under this Agreement if an Event of Default (as hereinafter defined) has occurred and is continuing.

**1.2 MORTGAGE; OTHER SECURITY.** The performance of the Borrower's obligations under this Agreement shall be secured by a mortgage lien, or mortgage liens, in favor of LFUCG in the total principal amount of the Mortgage Loan in form and substance satisfactory to LFUCG (collectively, the mortgage(s) and the other security documents described in this subsection are referred to as the "Security Documents", as attached hereto as Exhibit C, the terms and conditions of which are incorporated herein).

**1.3 ELIGIBLE ACTIVITY.** The Funds has been made available based upon the information provided by Borrower in the Application. The sole purpose of this allocation of funds is and will be to construct, rehabilitate, and/or renovate the properties known as Downing Place Apartments located at 3395 Spangler Drive, Lexington, Kentucky. ("Project").

**1.4 SITES.** In the event the Project includes new construction activities and/or rehabilitation activities, Borrower must identify specific units (the "Units") to be assisted with the Funds. Once identified, Units may not be changed, removed or substituted without prior written approval of LFUCG.

**ARTICLE 2 - REPRESENTATIONS AND WARRANTIES OF BORROWER**

**2.1** Borrower represents and warrants that:

(a) The Property will be free and clear of all encumbrances, except the valid Senior Mortgage, as defined by the Subordination Agreement signed on July \_\_\_\_, 2017, easements, restrictions, stipulations and rights-of-way of record, applicable zoning rules and regulations and taxes which may be due and payable or which have been assessed and become a lien against the property whether or not yet due and payable;

(b) All funds disbursed hereunder will be used only for construction, rehabilitation or development expenses, as applicable, of the Property, as approved by LFUCG, and said funds will not be used in any other manner or for any other purpose; and

(c) The construction, renovation, and/or rehabilitation work has been approved by the appropriate local, regional and state agencies, including those concerned with planning and zoning, public works and health.

**2.2** Borrower understands and acknowledges that projects assisted with LFUCG Funds must, at a minimum, meet the requirements set out in this Agreement. Borrower will supply, at LFUCG's request, all necessary documentation to substantiate compliance with this paragraph.

**2.3** Borrower represents and warrants that, at the time any advances are made by LFUCG as provided herein, the Property will contain no substance known to be hazardous such as hazardous waste, lead-based paint (in violation of Federal or State law), asbestos, methane gas, urea formaldehyde, insulation, oil, toxic substances, polychlorinated biphenyls (PCBs) or radon, and Borrower shall take all action necessary to insure that the Property contains no such substances. Further, the Property will not be affected by the presence of oil, toxic substances or other pollutants that could be a detriment to the Property, nor is Borrower or the Property in violation of any local, state or federal environmental law or regulation and no violation of the Clean Air Act, Clean Water Act, Resource Conservation and Recovery Act, Toxic Substance Control Act, Safe Drinking Water Control Act, Comprehensive Environmental Resource Compensation and Liability Act or Occupational Safety and Health Act has occurred or is continuing. Borrower will take all actions within its control necessary to insure that no such violation occurs. Borrower will immediately deliver to LFUCG any notice it may receive about the existence of any of the foregoing hazardous conditions on the Property or about a violation of any such local, state or federal law or regulation with respect to the Property.

**2.4** Borrower is duly organized and validly existing and in good standing under the laws of the Commonwealth of Kentucky; has the power and authority, corporate or otherwise, to own its properties and carry on its business as being conducted; and is duly qualified to do business wherever qualification is required. Borrower has been organized pursuant to state law for the primary purpose of providing housing to persons and families of lower and moderate income. Borrower is not presently under any cease or desist order or other orders of a similar nature, temporary or permanent, of any federal or state authority which would have the effect of preventing or hindering the

performance of its duties under this Agreement, nor are there any proceedings presently in progress or to its knowledge contemplated which would, if successful, lead to the issuance of any cease or desist order.

2.5 Plans and specifications for the Project are satisfactory to Borrower and, to the extent required by applicable law, have been approved by all governmental agencies and authorities having jurisdiction thereof, and the use of the Project site(s) contemplated hereby will comply with all local zoning requirements.

2.6 There are no actions, suits or proceedings pending or, to the knowledge of the Borrower, threatened against or affecting it or the Project or involving the validity or enforceability of any mortgage or the priority of the mortgage lien granted by or to Borrower, at law or in equity, on or before or by any governmental authority or any other matters which would substantially impair the ability of Borrower to pay when due any amounts which may become payable in respect to the Mortgage Note, and to the Borrower's knowledge, it is not in default with respect to any order, writ, judgment, injunction, decree or demand of any court of any governmental authority.

2.7 The consummation of the transaction contemplated hereby and the performance of this Agreement and any Mortgage, if so required, will not result in any breach of, or constitute a default under, any mortgage, deed of trust, lease, bank loan or other loan, credit agreement, corporate charter, bylaw or any other instrument to which the Borrower is a party or by which it may be bound or affected.

### **ARTICLE 3 – REQUIREMENTS FOR DISBURSEMENT**

3.1 **DISBURSEMENT OF AFFORDABLE HOUSING FUNDS.** The initial 90% of Funds will be disbursed to Borrower upon receipt by LFUCG of the following:

- (a) an executed original of the Authorized Signature form; and
- (b) evidence that the Project will remain affordable, by execution and recordation of Deed Restrictions;
- (c) an executed LFUCG Construction Start-Up Form;
- (d) execution of the Mortgage Note and Deferred Note, recordation of a valid mortgage lien against the Property securing repayment of the Funds and execution of any and all other Security Documents which may be required by LFUCG.

LFUCG will not be required to advance any amount hereunder if an Event of Default (hereinafter defined) has occurred and is continuing.

The remaining 10% of funds will be disbursed upon completion of the project.

3.2 **DISBURSEMENT OF DEVELOPER FEE.** If a Developer fee is paid with the Funds, it will be disbursed on a pro-rata share equal to the percent of the Project completion, with the exception of the initial draw as follows:

- (a) up to forty (40%) of the Project's developer fee may be disbursed at the initial draw; and

- (b) the remaining sixty (60%) may be drawn based upon the percentage of construction completion.

Additionally, repayment of the Funds to the Fund must be in good standing and in accordance with the Mortgage Loan amortization schedule and Mortgage Note, prior to any repayments of deferred developer fees.

**3.3 AFFORDABILITY PERIOD.** The Units must remain affordable to persons at or below eighty percent (80 %) of the area median income pursuant to the guidelines of the United States Department of Housing and Urban Development (HUD) for a minimum of thirty-five (35) years from date the Funds are first expended on each such Unit in the Project. Affordability must be ensured by recorded deed restrictions for all properties receiving Affordable Housing Funds.

**3.4 SECTION 8 RENTAL ASSISTANCE.** If Funds are used to construct rental property, Borrower will not refuse to lease any Unit assisted with Affordable Housing Funds to a holder of a voucher or certificate of eligibility under Section 8 of the United States Housing Act of 1937, as amended, solely because of the status of the prospective tenant as a holder of a certificate or voucher. Provided, however, if the rent required for the Unit is based upon a percentage of the prospective tenant's income through project design, or the assisted housing unit(s) utilize project-based rental housing assistance through another source, this section will not apply. This section does not apply to homeowner-occupied units of housing assisted with Affordable Housing Funds.

**3.5 INSURANCE.** For all properties assisted with Affordable Housing Funds, the Borrower or Property Owner must maintain all risk, fire and extended coverage, in form and with companies acceptable to LFUCG, for each Unit of the Project and any improvements to be constructed thereon in an amount of not less than the Affordable Housing Funds made available to Borrower for each Unit of the Project. Each policy must include appropriate loss payable clauses in favor of LFUCG or Borrower, as applicable, as beneficiary and without right of cancellation or change except upon thirty (30) days' written notice to LFUCG. Borrower will deliver proof of all insurance to LFUCG upon request.

**3.6 REPAYMENT.** Borrower agrees to repay funds to the Funds disbursed hereunder through LFUCG on a timely basis.

**3.7 CLOSING COSTS.** All costs associated with funding under this Agreement will be borne by the Borrower, including but not limited to the cost of attorney's fees, documentation, recording fees, and costs associated with disbursement. There will be a one percent (1%) Closing Cost Fee of SIX THOUSAND AND 00/100 DOLLARS (\$6,000.00) payable to LFUCG at the date of the closing.

**3.8 LEGAL MATTERS.** All legal matters incident to the contemplated transaction will be concluded to the satisfaction of LFUCG's Department of Law.

**3.9 PROOF OF CORPORATE ACTION.** Prior to execution of this Agreement, LFUCG shall have received (i) copies of Borrower's organizational documents; (ii) confirmation from the Secretary of State of Borrower's organizational jurisdiction that

Borrower is a validly existing entity in good standing, and (iii) a resolution from the Borrower's Board of Directors, member, manager or general partner, as appropriate, authorizing the execution of the legal documents evidencing the funding received under this Agreement. If Borrower is a foreign entity, it shall, in addition to jurisdictional organizational documents provide evidence of its authority to conduct business in the Commonwealth of Kentucky.

#### **ARTICLE 4 - CONSTRUCTION LOAN TERMS**

**4.1 PLANS AND SPECIFICATIONS.** Borrower will develop the Property in accordance with plans and specifications which have been approved by LFUCG, or by any other agency approved by LFUCG, which plans and specifications, upon such approval, will be incorporated herein by reference. Said plans and specifications will include and specifically identify all roads, sewer lines and water lines and will provide for the development of the Property in conformance with applicable Affordable Housing Program requirements. Said plans and specifications may be subject to minor changes as required to comply with state and local building codes and to conform to the Property, provided such changes are approved by LFUCG. In addition to said plans and specifications, Borrower will prepare or cause to be prepared from time to time such additional plans and drawings, including working drawings, shop drawings and supplemental specifications, as may be necessary or desirable to facilitate expeditious construction of the improvements in accordance with the approved plans and specifications and will cause copies of all such additional items to be delivered to LFUCG. All of said plans and specifications and any such additional items so approved are hereinafter collectively referred to as the "Plans and Specifications." Borrower will not deviate nor permit any such deviation from the Plans and Specifications without the prior written consent of LFUCG.

**4.2 NO LIENS.** Borrower will cause all work to be performed, including all labor, materials, supervision, supplies, equipment, architectural, and engineering services necessary to complete the improvements, in accordance with the Plans and Specifications. The Borrower will complete the improvements free from all materialmen's liens and all mechanic's liens and claims. All contracts with subcontractors and materialmen will contain, upon the request of LFUCG, a provision for not less than ten percent (10%) retainage to ensure adequate and complete performance in connection with interim or progress payments hereunder. Advances of the Affordable Housing Funds by LFUCG will not be made until a representative of LFUCG has inspected the improvements, certified their completion and received from the general contractor and all subcontractors affidavits, in form and substance satisfactory to LFUCG, stating that payment will constitute payment in full of all amounts due and owing to them and their suppliers.

**4.3 DEADLINE ON PROPERTY DEVELOPMENT.** Borrower will begin development of the Property within 30 days after an advance is made hereunder for the Property and will cause all development work to be pursued with diligence and without delay. Borrower will cause the improvements to be constructed in a good and workmanlike manner in substantial compliance with the Plans and Specifications and in all respects in full compliance with all laws, rules, permits, requirements and regulations

of any governmental agency or authorities having jurisdiction over the Property.

**4.4 USE OF FUNDS.** Borrower will cause all Affordable Housing Funds borrowed or advanced pursuant hereto to be applied entirely and exclusively for the construction, acquisition, rehabilitation or development, as applicable, of the Property and payment of labor and materials in the completion of development work in substantial compliance with the Plans and Specifications and for the payment of such other costs incidental thereto as may be specifically approved in writing by LFUCG.

**4.5 RIGHT OF INSPECTION.** Borrower will permit access by LFUCG to the books and records of Borrower and to the Property and all improvements at reasonable times. In the event LFUCG determines that any work or materials are not substantially in conformance with the Plans and Specifications, or are not in conformance with any applicable laws, regulations, permits, requirements or rules of any governmental authority having or exercising jurisdiction thereover or are not otherwise in conformity with sound building practices, LFUCG may stop the work and order replacement or correction of any such work or materials. Such inspection will not be construed as a representation or warranty by LFUCG to any third party that the improvements are, or will be, free of faulty materials or workmanship.

**4.6 UNDERTAKING.** If required by LFUCG prior to disbursement of Affordable Housing Funds hereunder and thereafter as LFUCG may require, Borrower will deliver to LFUCG (a) an agreement between Borrower and the architect who has prepared the Plans and Specifications whereby such architect agrees that the agreement is assignable to LFUCG upon the same terms and conditions as exist in said agreement; (b) an agreement between Borrower and Borrower's contractor whereby Borrower's contractor agrees that the agreement is assignable to LFUCG upon the same terms and conditions as exist in said agreement; (c) copies of all subcontracts and material purchase orders between Borrower's contractor and any persons, firms, or corporations with whom it has contracted to provide labor, materials or services with respect to the construction of the improvements, where any such contract exceeds a minimum price of Five Thousand Dollars (\$5,000.00); and (d) if requested in writing by LFUCG, a list of all persons, firms and corporations who have provided or proposed to provide labor, materials or services in connection with construction of the improvements.

**4.7 NONLIABILITY OF LFUCG.** This Agreement will not be construed to make LFUCG liable to materialmen, contractors, craftsmen, laborers or others for goods and services delivered by them to or upon the Property or for debts or claims accruing to said parties against the Borrower. There are no contractual relationships, either express or implied, between LFUCG and any materialman, contractors, craftsmen, laborers or any other persons supplying work, labor or materials on the job, nor will any third person or persons, individual or corporate, be deemed to be beneficiaries of this Agreement or any term, condition or provisions hereof or on account of any actions taken or omitted by LFUCG pursuant hereto.

#### **ARTICLE 5 – BREACH OR DEFAULT**

**5.1 RECAPTURE OF FUNDS; BREACH OF AGREEMENT.** In the event of a breach, LFUCG may suspend Borrower's authority to draw Affordable Housing Funds at any time by giving notice to Borrower. LFUCG has the right, in its sole discretion, to

terminate disbursement of funds and/or recapture any remaining portion of Affordable Housing Funds and/or require repayment of Affordable Housing Funds already disbursed upon the occurrence of one or more of the following events ("Breach"):

(a) Borrower does not diligently pursue the activity detailed in Borrower's Application and for which Affordable Housing Funds have been awarded;

(b) Borrower violates of any of the terms of this Agreement, the Affordable Housing Program statutes, the Mortgage Note and Deferred Note evidencing the Affordable Housing Funds under this Agreement or any other Security Document entered into pursuant to this Agreement;

(c) Borrower does not submit reports or submits inadequate reports pursuant to Article 6 below;

(d) Borrower defaults under any of the terms of this Agreement or any other document executed in conjunction with funding under this Agreement, and such default is not cured within any applicable cure period;

(e) Borrower is unable to draw all Affordable Housing Funds, as set forth in the closing documents, in no instance later than twenty-four (24) months from the date of this Agreement;

(f) the information submitted to LFUCG by Borrower, upon which LFUCG relied in its decision to allocate funds to Borrower, proves to be untrue or incorrect in any material respect; or

(g) LFUCG determines in its sole discretion that it would be inadvisable to disburse the Funds to Borrower because of a material and adverse change in Borrower's ability to complete the activity detailed on Borrower's Application for which the Funds have been awarded.

**5.2 EVENTS OF DEFAULT.** Occurrence of one or more of the following events will, in the sole discretion of LFUCG, constitute an "Event of Default":

(a) Any installment of principal or interest required by the Mortgage Note and/or Deferred Note remains unpaid for more than ten (10) days after the due date thereof;

(b) Any representation or warranty made herein, or in any certificate, report or statement furnished to LFUCG in connection the Affordable Housing Funds or the Mortgage Note and/or Deferred Note proves to have been untrue or misleading in any material respect when made;

(c) Failure of Borrower to perform any of the provisions of the Mortgage Note and/or Deferred Note, this Agreement or any other document executed in connection with this Agreement;

(d) Borrowers violation of the affordability requirements, whether evidenced by recorded Deed Restriction or owner certification of continued compliance;

(e) The entry of any lien or encumbrance against the Project site(s), except for Permitted Encumbrances (as defined in the Mortgage), ad valorem taxes which are not yet due and payable and liens incurred in the ordinary course of business with



respect to amounts which are not yet due and payable without penalty or interest;

(f) Borrower fails to prosecute Project site development work with diligence so that construction thereof will be completed in a timely manner;

(g) Any party obtains or seeks an order or decree in any court of competent jurisdiction seeking to enjoin the construction of the improvements or to delay construction of the same or to enjoin or prohibit Borrower or LFUCG from carrying out the terms and conditions hereof, and such proceedings are not discontinued or such decree is not vacated within thirty (30) days after LFUCG has given Borrower notice under the provisions hereof;

(h) Borrower discontinues the construction/rehabilitation work and abandonment continues for a period of thirty (30) days;

(i) Borrower permits cancellation or termination of any insurance policy required under this Agreement or fails, if required, to obtain any renewal or replacement thereof satisfactory to LFUCG;

(j) Borrower (A) becomes bankrupt, or ceases, becomes unable, or admits in writing its inability to pay its debts as they mature, or makes a general assignment for the benefit of, or enters into any composition or arrangement with creditors; (B) applies for, or consents (by admission of material allegations of a petition or otherwise) to the appointment of a trustee, receiver or liquidator of the Borrower or of a substantial portion of its assets, or authorizes such application or consent, or proceedings seeking such appointment are commenced without such authorization, consent or application against it and continue un-dismissed and unstayed for a period of sixty (60) days; (C) authorizes or files a voluntary petition in bankruptcy, reorganization, readjustment of debt, insolvency, dissolution, liquidation or other similar law of any jurisdiction; or authorizes such application or consent; or proceedings to such end are instituted against the Borrower without such authorization, application or consent and are approved as properly instituted, remain undismissed for sixty (60) days, or result in adjudication of bankruptcy or insolvency; or

(k) Borrower is found to have violated any law or regulation, whether federal or state.

**5.3 CURE OF BREACH OR DEFAULT; PENALTIES.** If any Breach or Event of Default is not cured within thirty (30) days from the date LFUCG notifies Borrower of the breach or default, LFUCG may continue suspension of disbursements. Additionally, LFUCG may declare the Mortgage Loan and Deferred Loan immediately due and payable and may institute proceedings for its collection. LFUCG may terminate this Agreement by giving written notice to Borrower. In the event of a termination, Borrower's authority to draw Affordable Housing Funds will terminate as of the date of the notice of termination and Borrower will have no right, title or interest in or to any remaining Affordable Housing Funds.

**5.4 MISAPPROPRIATION OF FUNDS.** Borrower will be liable for any and all misappropriation of Affordable Housing Funds, audit exceptions by state or federal agencies, and violations of the terms of this Agreement. LFUCG also has the right to require Borrower to repay to LFUCG a portion of or all Affordable Housing Funds drawn

by Borrower in cases of breach involving misappropriation of funds or fraudulent uses of funds.

**5.5 RIGHTS UPON DEFAULT.** If one or more of the Events of Default described above occur, LFUCG may declare Borrower to be in default under this Agreement by giving not less than thirty (30) days prior written notice (or other notice required by applicable default provisions in other LFUCG loan documents) to Borrower, except for a default in payment, in which case ten (10) day notice is required, and thereafter, LFUCG may exercise any one or more of the following remedies:

(a) Terminate the credit hereby extended, declare the entire unpaid balance and all accrued but unpaid interest under the Mortgage Note and/or Deferred Note due and payable and institute proceedings for collection thereof. Provided, however, LFUCG may make advances under the occurrence of an event of default without waiving any of its rights hereunder;

(b) Exercise its rights under the Mortgage Note and/or Deferred Note or any other Security Document;

(c) Enter upon the Project site(s), expel and eject Borrower and all persons claiming through or under Borrower and collect the rents and profits therefrom;

(d) Complete the Project site development work at the cost and expense of Borrower and add such cost to the debt evidenced by the Mortgage Loan and/or grant and this Agreement and secured by the Security Documents;

(e) Have discharged of record any mechanic's and materialmen's lien or other lien against the Project site(s);

(f) Institute such legal proceedings or other proceedings in the name of Borrower or LFUCG as LFUCG may deem appropriate for the purpose of protecting the Project site(s) and LFUCG's interests therein; or

(g) Do and perform all acts and deeds in the name of Borrower or LFUCG as LFUCG deems necessary or desirable to protect the Project site(s) and LFUCG's interests therein.

(h) All of the rights and remedies of LFUCG under this Agreement shall be cumulative and to the fullest extent permitted by law and shall be in addition to all those rights and remedies afforded LFUCG at law or in equity or in bankruptcy.

**5.6 PAYMENTS DUE TO DEFAULT.** Borrower shall reimburse and fully compensate LFUCG upon demand for all loss, damage and expense, including without limitation reasonable attorney's fees and court costs, together with interest on the amount thereof from the date the same accrues at the rate of twelve percent (12%) per annum, incurred by LFUCG (a) by reason of any default or defaults hereunder or under this Agreement, the Mortgage Note and/or Deferred Note, or the Security Documents or any other loan document executed by Borrower, (b) by reason of the neglect by Borrower of any duty or undertaking hereunder or under the Security Documents and (c) in the exercise of any right or remedy hereunder or under the Security Documents.

**5.7 INVESTOR PROVISIONS.** Notwithstanding anything to the contrary

contained in this Agreement or any of the documents evidencing this loan (collectively, the "Loan Documents"), if any Breach or Event of Default occurs under the terms of the Loan Documents LFUCG shall give Borrower and the limited partners of Borrower simultaneous written notice of such Breach or Event of Default at the addresses set forth in Section 7.1 hereof (the "Notice"). Borrower's limited partners shall have the right, but not the obligation, to cure any Breach or Event of Default by Borrower under the Loan Documents, and LFUCG agrees to accept any such cure tendered by Borrower's limited partners within the cure periods provided to Borrower hereunder, which period shall commence upon receipt of the Notice. Notwithstanding anything to the contrary contained in the Loan Documents, LFUCG shall not exercise any remedies hereunder prior to the expiration of such notice and cure period.

Notwithstanding anything to the contrary in the loan documents, the following shall not require the consent of LFUCG and shall not constitute a default under any of the Loan Documents: (i) the transfer or assignment of any limited partner interests in Borrower or of any interests in Borrower's limited partners, (ii) the withdrawal, removal, and/or replacement of a General Partner of Borrower by Borrower's limited partners pursuant to the terms of the Amended and Restated Agreement of Limited Partnership of Borrower (the "Partnership Agreement"), and (iii) any amendments to the Partnership Agreement to reflect any such transfer or assignment.

#### **ARTICLE 6 – RECORDS; REPORTING**

**6.1 RECORDS; ACCESS.** Borrower agrees to keep adequate records pertaining to the Project and the uses of Affordable Housing Funds. Borrower agrees to provide LFUCG or its designee access to all of its books and records, including fiscal records, for the purpose of program assessment reviews, and to retain all books and records until the later of three (3) years from the termination of this Agreement, or until all audits of performance during the term of this Agreement have been completed, or until any pending litigation involving this grant or related books and records is settled. Borrower agrees to maintain its books and records in accordance with generally accepted accounting principles. Nothing in this Agreement will be construed to limit the ability of LFUCG to monitor implementation of the project funded by this Agreement.

**6.2 REPORTING REQUIREMENTS.** In the event project activity reports are required, reports must be submitted as requested by LFUCG, on the forms provided by LFUCG, beginning the first calendar quarter after Borrower receives a disbursement of Affordable Housing Funds.

**6.3 ANNUAL FINANCIAL REPORTING.** Borrower agrees to provide LFUCG or its designee audited financials and/or Financial Compilation Reports on an annual basis during the term of this Agreement.

**6.4 WARRANTY AS TO INFORMATION.** Borrower acknowledges that its award of Affordable Housing Funds has been based upon information received from Borrower. Borrower warrants that the financial and other information furnished by Borrower to

LFUCG was, at the time of application, and continues to be, true and accurate.

**6.5 PROGRAM COMPLIANCE.** Borrower agrees to comply with the LFUCG Affordable Housing Program guidelines and criteria relating to the Fund.

#### **ARTICLE 7 - MISCELLANEOUS**

**7.1 NOTICES.** Any notice required or permitted to be given pursuant to this Agreement will be deemed to have been duly given when properly addressed and hand-delivered, or mailed by registered or certified mail with postage prepaid, to Borrower or LFUCG, as the case may be, at the following addresses or to such other place as any of the parties may for themselves designate in writing from time to time for the purpose of receiving notices pursuant hereto:

**BORROWER:** LRC – Downing Place, LP  
c/o LEDIC Realty Company  
105 Tallapoosa Street, Suite 300  
Montgomery, Alabama 36104  
ATTN: Drew Sullivan, Development Officer

**BORROWER LIMITED PARTNER:** PNC Real Estate  
121 S.W. Morrison Street  
Suite 1300  
Portland, Oregon 97204  
ATTN: Fund Manager

**LFUCG:** Lexington-Fayette Urban County Government  
101 East Vine Street, Suite 400  
Lexington, Kentucky 40507  
ATTN: Richard McQuady,  
Affordable Housing Manager

**7.2 COSTS TO BE PAID BY BORROWER.** All items which Borrower agrees to furnish under this Agreement will be furnished at Borrower's sole cost and expense.

**7.3 NON-DISCRIMINATION AND FAIR HOUSING RULES.** The Project and all contractors and major subcontractors engaged in connection therewith shall comply with all fair housing and non-discrimination statutes and regulations as they are amended from time to time, which include but are not limited to the following, each of which is hereby incorporated by reference into this Agreement:

Fair Housing Act (Title VIII of the Civil Rights Act of 1968);  
24 CFR § 5.105, which prohibits discrimination on the basis of actual or perceived sexual orientation or gender identity, and marital status  
Title VI of the Civil Rights Act of 1964;  
Section 504 of the Rehabilitation Act of 1973;  
Section 109 of Title I of the Housing and Community Development Act of 1974;

Title II of the Americans with Disabilities Act of 1990;  
Architectural Barriers Act of 1968;  
Age Discrimination Act of 1975;  
Title IX of the Education Amendments Act of 1972; and  
Presidential Executive Orders 11063, 11246, 12892, 12898, 13166, 13217.  
Nondiscrimination and Equal Opportunity requirements [24 CFR  
§5.105(a)]  
Chapter 2, Article 2, §§2-26 – 2-46 of the Code

**7.4 SUSPENSION AND DEBARMENT.** Borrower certifies by submission of its application and execution of this Agreement that to the best of its knowledge and belief after reasonable investigation, that it and/or its principals are not presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from participation in any transaction under this Agreement by any federal department or agency, or under LFUCG's Suspension and Debarment Policy. Borrower further agrees that any future principal will meet the requirements of this section.

**7.5 INDEMNIFICATION.** Borrower shall indemnify, defend and hold LFUCG harmless from and against any and all liabilities, claims, demands, losses, damages, costs and expenses (including without limitation, reasonable attorney's fees and litigation expenses), actions or causes of actions, arising out of or relating to any breach of any covenant or agreement or the incorrectness or inaccuracy of any representation and warranty of Borrower contained in this Agreement or in any document delivered to LFUCG or by Borrower, or any other person on behalf of Borrower pursuant to the terms of this Agreement, except for that which occurs as a result of LFUCG's gross negligence or willful misconduct.

**7.6 GOVERNING LAW.** This Agreement and the loan(s) referred to herein will be governed by the laws of the Commonwealth of Kentucky.

**7.7 ASSIGNABILITY.** Borrower may not assign this Agreement nor any part hereof without the prior written consent of LFUCG. Subject to the foregoing restriction, this Agreement will inure to the benefit of LFUCG, its successors and assigns and will bind Borrower, Borrower's successors, assigns and representatives.

**7.8 MODIFICATION.** No variance or modification of this Agreement will be valid and enforceable except by supplemental agreement in writing, executed and approved in the same manner as this Agreement.

**7.9 EXHIBITS.** Any exhibits attached to this Agreement and the matters contained therein are incorporated herein and deemed to be a part hereof as if fully recited in this Agreement prior to the date of execution hereof.

**7.10 WAIVER.** LFUCG may waive Borrower's performance of any of the terms of this Agreement or Borrower's default hereunder; provided, however, such waiver must be in writing, signed by LFUCG, and any such written waiver hereunder will not be construed as a waiver of any other term or condition of this Agreement or of any act of continuing default.

**7.11 INVALID PROVISIONS.** The invalidity or unenforceability of a particular provision of this Agreement will not affect the other provisions hereof, and this Agreement will be construed in all respects as if such invalid or unenforceable provisions were omitted.

**[ INTENTIONALLY LEFT BLANK SIGNATURE PAGE TO FOLLOW ]**

WITNESS the signatures of the parties hereto as of the date and year first above written.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT

By: [Signature]  
Jim Gray, Mayor

ATTEST:  
[Signature]  
Clerk, Urban County Council

LRC - DOWNING PLACE, LP, a Kentucky limited partnership

By: LRC - Downing Place GP, LLC, a Kentucky limited liability company, its General Partner

By: LRC GP, LLC, a Delaware limited liability company, its sole Member

By: LEDIC Realty Company, LLC, a Delaware limited liability company, its sole Member

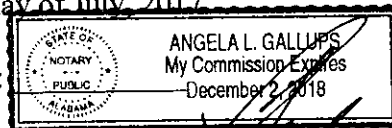
By: [Signature]  
Name: W. David Hynes, Jr.  
Title: Chairman

STATE OF ALABAMA )  
COUNTY OF MONTGOMERY )

I, Angela L. Gallups a Notary Public in and for said County in said State, hereby certify that W. David Hynes, Jr. whose name as Chairman of LRC - Downing Place GP, LLC, by LRC GP, LLC, by LEDIC Realty Company, LLC, a Delaware limited liability company, is signed to the foregoing Agreement, and who is known to me, acknowledged before me on this day that, being informed of the contents of said Agreement, he, as such officer and with full authority, executed the same voluntarily for and as the act of said company.

Given under my hand this 02 day of July 2017

My commission expires:



[Signature]  
Notary Public

## **2016 Multifamily Underwriting Model For Tax-Exempt Bond Projects**

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*This underwriting model applies to affordable multifamily projects seeking ONL  
Bond financing from  
Kentucky Housing Corporation*

Project Name & Location:  
**Downing Place Townhouses**

Portfolio Name  
*(if applicable)*  
**Downing Place Townhouses**

County: Fayette

Submitted by:  
**BSR Trust Management, LLC**



## Downing Place Townhouses Sources & Uses

Total Units: 193  
Construction: Rehabilitation

Primary Unit Type: Townhome  
County: Fayette

Do not create additional formulas in any cells as this may interfere with KHC's project underwriting.

### SOURCES OF FUNDING

Permanent Debt Sources:	Amount	Per Unit	Interest Rate	Term (in Years)	Lien Position	Annual Payment
Non-KHC loan #1 (identify lender): Bellweather Enterprises	\$12,802,000	\$66,332	4.68%	35	First	\$744,255
Non-KHC loan #2 (identify lender): City of Lexington - AHTF	\$300,000	\$1,554	4.00%	35	Second	\$15,940
Non-KHC loan #3 (identify lender):	\$0					
Non-KHC loan #4 (identify lender):	\$0					
Non-KHC loan #5 (identify lender):	\$0					
<b>Total Debt Sources:</b>	<b>\$13,102,000</b>	<b>\$67,886</b>				<b>\$760,195</b>

If any of the above non-KHC loans require payment of a mortgage insurance premium, identify loan and MIP amount:  
Is the MIP included in the rate/payment amount shown above? No Frequency:

Permanent Equity Sources:	Federal Grant?	Amount	Per Unit	Affordability Period	Describe repayment of cash flow loan:
Deferred Developer Fee (any amount unpaid by Yr. 10 deducted from basis)		\$1,651,214	\$8,556		
Cash Flow Loan (Mark-to-Market or Other Cash Flow Loan)			\$0		
Federal Historic Tax Credit Equity (amount is deducted from basis)			\$0		
Other equity/grant (identify): City of Lexington - AHTF Forgivable Loan		\$300,000	\$1,554		
Other equity/grant (identify): Cash Flow During Development Period		\$204,604	\$1,060		
Other equity/grant (identify): General Partner Capital Contribution		\$241,930	\$1,254		
Other equity/grant (identify):			\$0		
Other equity/grant (identify):			\$0		
Donated or volunteer labor			\$0		
Donated materials			\$0		
Donated land value (total acquisition cost must include value of donation)					
Net present value of waived or reduced taxes (not in development budget)					
LIHTC Anticipated Net Syndication Proceeds (4%)		\$4,200,605	\$21,765	15 years	
<b>Total Equity Sources:</b>		<b>\$6,598,353</b>	<b>\$34,188</b>		

**TOTAL PERMANENT SOURCES:** \$19,700,353 \$102,074  
**Total Development Costs:** \$19,700,353 \$102,074  
**Permanent Funding Sources out of balance by:** (\$0) (\$0)

Estimated Credit Pricing: \$0.9900 cents per dollar
Equity Provider/Syndicator: PNC
<b>Annual Credit Allocation:</b> \$424,346
<b>Bond Amount Requested:</b> \$13,000,000

Construction/Bridge Financing:	Amount Available During Construction	% TDC	Developer Notes
Bank Construction Loan #1	\$10,365,000	52.8%	Freddie TEL - Permanent Loan Day 1
Bank Construction Loan #2		0.0%	
Developer Equity (Self-Financing)	\$1,950,000	9.9%	LEDIC Realty Company Equity Bridge
Deferred Developer Fee	\$1,651,214	8.4%	
Housing Credit Equity Available During Construction	\$420,061	2.1%	
Costs Not Paid During Construction (Identify)		0.0%	
Other: City of Lexington - AHTF Loan	\$300,000	1.5%	
Other: City of Lexington - AHTF Forgivable Loan	\$300,000	1.5%	
Other: Tax Exempt Bonds	\$12,802,000	65.0%	
Other: PNC Equity Bridge Loan	\$2,649,000	13.4%	
<b>Total Construction Sources:</b>	<b>\$30,437,275</b>	<b>154.5%</b>	
Const. Financing Sources out of balance by:	(\$10,736,922)	-54.5%	Construction sources must be equal to or greater than Total Development Costs

From Uses of Funding Below

USES OF FUNDING	TOTAL COST	Per Unit Cost	4% LIHTC Eligible Costs 30% Present Value Credit	Excluded from Tax Credit Basis
<b>ACQUISITION</b>				
Building Acquisition	\$6,975,000	\$36,140	\$6,975,000	
Land Acquisition (include value of donated land)	\$1,825,000	\$9,456		\$1,825,000
<b>TOTAL ACQUISITION</b>	<b>\$8,800,000</b>		<b>\$6,975,000</b>	<b>\$1,825,000</b>
<b>HARD COSTS</b>				
<b>Building Costs</b>				
Appliances	\$458,369	\$2,375	\$458,369	
Building - New Construction Costs	\$0	\$0		
Building - Rehabilitation Construction Costs	\$4,090,148	\$21,192	\$4,090,148	
Lead-based paint controls or abatement	\$0	\$0		
<b>Site Work</b>				
Demolition	\$0	\$0		
Earth Work	\$0	\$0		
Lawn/Plantings	\$256,147	\$1,327	\$256,147	
Off Site Work	\$0	\$0		
Roads/Walks	\$310,191	\$1,607	\$310,191	
Site Utilities	\$0	\$0		
Unusual Site Conditions	\$0	\$0		
<b>Contractor Fees</b>				
Payment and Performance Bond	\$60,000	\$311	\$60,000	
General Requirements	\$306,891	\$1,590	\$306,891	
Builder's Overhead	\$102,297	\$530	\$102,297	
Builder's Profit	\$306,891	\$1,590	\$306,891	
Construction Manager's Fee	\$0	\$0		
Builder's Risk Insurance	\$0	\$0		
Builder's Liability Insurance	\$0	\$0		
Worker's Compensation Insurance	\$0	\$0		
<b>Other Hard Costs</b>				
Other: Permits	\$11,000	\$57	\$11,000	
Other:	\$0	\$0		
Other:	\$0	\$0		
<b>TOTAL HARD COSTS</b>	<b>\$5,901,934</b>		<b>\$5,901,934</b>	<b>\$0</b>
<b>CONSTRUCTION CONTINGENCY</b>				
Perm Loan Construction Hard Cost Contingency (identify source)	\$590,193	\$3,058	\$590,193	

5.20% of Hard Costs  
1.73% of Hard Costs  
5.20% of Hard Costs

10.00% of Hard Costs

**SOFT COSTS**

**Construction Interim Costs**

Bridge Loan Fees	\$82,801	\$429		\$82,801
Bridge Loan Legal Fees	\$24,881	\$120		\$24,881
Building Permits/Fees	\$17,901	\$93	\$17,901	
Construction Credit Enhancement	\$0	\$0		
Construction Financing Fees	\$0	\$0		
Construction Hazard Insurance	\$0	\$0		
Construction Interest	\$0	\$0		
Construction Legal Fees	\$0	\$0		
Construction Liability Insurance	\$0	\$0		
Construction Loan Points	\$0	\$0		
Construction Title and Recording	\$0	\$0		
Other Construction Finance Fees	\$10,060	\$52	\$10,060	

**Bond Financing**

Bond Counsel Legal Fees	\$51,000	\$264		\$51,000
Bond Commission Fees	\$0	\$0		
Rating Agency Fees	\$0	\$0		
Underwriter Fees	\$0	\$0		
KHC Issuer's Fee	\$32,500	\$168		\$32,500
KHC Issuer's Counsel Fee	\$12,500	\$65		\$12,500
KHC Administrative Fee	\$5,000	\$26		\$5,000
KHC Annual Issuer's Fee (1st two years only)	\$0	\$0		
Other: Freddie Fiscal Agent	\$4,500	\$23		\$4,500
Other: Bond Placement Agent & Bond Placement Count	\$33,000	\$171		\$33,000
Other: Freddie Fiscal Agent Counsel	\$3,500	\$18		\$3,500
Other: HUD Counsel	\$43,773	\$227		\$43,773
Other:	\$0	\$0		

**Permanent Financing**

Permanent Credit Enhancement	\$0	\$0		
Permanent Financing Fees	\$195,921	\$1,015		\$195,921
Permanent Legal Fee	\$65,000	\$337		\$65,000
Permanent Loan Points	\$0	\$0		
Permanent Title and Recording	\$61,826	\$320		\$61,826
Other Permanent Loan Financing Fees	\$6,000	\$31		\$6,000

**Professional Fees**

Accounting Fees	\$10,000	\$52	\$10,000	
Architect Fees	\$177,058	\$917	\$177,058	
Engineering Fees	\$0	\$0		

**Reserves**

Escrows	\$0	\$0		
Operating Deficit Reserve (MUST identify source)	\$534,000	\$2,767		\$534,000
Rent Up Reserves	\$0	\$0		
Replacement Reserve Deposit	\$0	\$0		
Other:	\$0	\$0		
Other:	\$0	\$0		
Other:	\$0	\$0		

**Syndication Costs**

Syndication Legal Fees	\$0	\$0		
Syndication Organization Expenses	\$0	\$0		
Other Syndication Expenses	\$0	\$0		

**Other Soft Costs**

Relocation Expenses	\$0	\$0		
Appraisal	\$10,500	\$54	\$10,500	
Market Study	\$12,410	\$64		\$12,410
Environmental Study	\$16,000	\$83	\$16,000	
Lead-Based Paint Assessment and Testing	\$0	\$0		
Survey	\$13,960	\$72	\$13,960	
Capital Needs Assessment	\$19,400	\$101	\$19,400	
Marketing	\$0	\$0		
Property Taxes	\$59,440	\$308		\$59,440
Cost Certification	\$0	\$0		
Asset Management Fee	\$0	\$0		
KHC Tax-Exempt Bond Application Fee	\$6,000	\$31		\$6,000
KHC Tax Credit Allocation Fee (9% of credit request)	\$38,191	\$198		\$38,191
KHC Tax Credit Inspection Fee (0.5% of credit request)	\$9,243	\$48		\$9,243
Non-KHC Tax Credit Fees	\$0	\$0		
Other: Property Insurance	\$109,204	\$566	\$109,204	
Other: Local Broker Fee	\$100,000	\$518		\$100,000
Other: Misc. Expenses	\$73,001	\$378	\$29,000	\$44,001

**Developer's Fee**

Consulting Fee	\$0	\$0		
Developer Fee	\$2,569,656	\$13,314	\$2,569,656	

**TOTAL SOFT COSTS**

	\$4,408,226	\$22,841	\$2,982,739	\$1,425,487
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**TOTAL DEVELOPMENT COSTS**

	\$19,700,353	\$102,074	\$16,449,866	\$3,250,487
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**Reductions to Eligible Basis:**

Federal Historic Tax Credits	\$0			
Other Federal Grants & Subsidies	\$0			
Excess Cost Units				
Other				
Unpaid Developer Fee (after 10 Years)	\$0			
<b>ELIGIBLE BASIS</b>	\$16,449,866			
Acquisition Basis (no boost allowed)	\$6,975,000			
High Cost Adjustment (Basis Boost)	100%		100%	
<b>ADJUSTED ELIGIBLE BASIS</b>	\$16,449,866		\$16,449,866	
Applicable Fraction			80%	
<b>QUALIFIED BASIS</b>	\$13,192,396		\$13,192,396	
Tax Credit Rate			3.23%	
<b>MAXIMUM ANNUAL TAX CREDIT</b>	\$426,114		\$426,114	

\$766,100 Minimum

Total Dev. & Consult. Fees:  
15.0% of allowable TDC  
Consulting Fee  
0.0% of Total Fees  
of TDC

130% Boost allowed for projects in OCT's/DDAs only and is NOT applied to acquisition basis

# Downing Place Townhouses PROJECT SUMMARY

**Developer/Owner:** BSR Trust Management, LLC  
**Contact Person:** Drew Sullivan  
**Phone:** 334-954-4458 **Email:** drew.sullivan@ledic.com  
**Project Name:** Downing Place Townhouses  
**Portfolio Name:** Downing Place Townhouses  
**Street Address:** 3395 Spangler Drive  
**City:** Lexington **County:** Fayette  
**Zip Code:** 40517

**Total Units:** 193 **Construction Type:** Rehabilitation  
**Primary Unit Type:** Townhome **Target Population:** Family  
**Additional Unit Type:** \_\_\_\_\_ **Group Home?** \_\_\_\_\_  
**Total Residential Square Feet:** 182,826  
**Avg Sq Ft/Unit:** 947

**Requesting 4% Credit + Tax-Exempt Bond?** Yes  
**Is project located in a DDA and/or QCT?** \_\_\_\_\_  
**Census Tract(s):** 21067003504  
**Tax Credit Set-Aside Election:** 40/60

**Identities of Interest Between Development Team Members:**

**Identity of Interest w/Contractor/Builder?** No **Identity of Interest with Buyer/Seller of Real Estate?** No  
**Identity of Interest w/Architect?** No **Multiple Identities of Interest?** No  
**Identity of Interest with Attorney?** No

Unit Mix	Efficiency	1-BR	2-BR	3-BR	4-BR	Totals
30% AMI	0	0	0	0	0	0
50% AMI	0	0	0	0	0	0
60% AMI	0	61	94	0	0	155
80% AMI	0	0	0	0	0	0
120% AMI	0	0	0	0	0	0
Unrestricted	0	15	23	0	0	38
<b>Totals</b>	<b>0</b>	<b>76</b>	<b>117</b>	<b>0</b>	<b>0</b>	<b>193</b>

Operating Budget	Annual	Per Unit
Adjusted Gross Income	\$1,768,440	\$9,163
Other Income/Subsidies	\$69,648	\$361
Vacancy	8% \$141,475	\$733
Effective Gross Income	\$1,696,613	\$8,791
Operating Expenses	\$772,005	\$4,000
Replacement Reserve	\$57,900	\$300
Net Operating Income	\$866,708	\$4,491
Debt Service	\$615,074	\$3,187
Cash Flow Year 1	\$251,634	\$1,304

Operating Cash Flow	DCR	Cash Flow Per Unit
Year 1	1.41	\$1,304
Year 5	1.19	\$737
Year 10	1.24	\$956
Year 15	1.29	\$1,156

**Key Assumptions**

Vacancy Rate Year 1-3:	8.0%
Vacancy Rate: Year 4+	8.0%
Rent Inflation Year 1-3:	2.0%
Rent Inflation Year 4+:	2.0%
<b>Expense Inflation:</b>	
Administrative	3.0%
Operating/Maintenance	3.0%
Utilities	3.0%
Taxes/Insurance	3.0%

Development Costs	Total	Per Unit	% of Total
Acquisition	\$8,800,000	\$45,596	44.7%
Hard Costs	\$5,901,934	\$30,580	30.0%
Construction Contingency	\$590,193	\$3,058	3.0%
Soft Costs	\$1,838,570	\$9,526	9.3%
Developer Fee	\$2,569,656	\$13,314	13.0%
<b>Total</b>	<b>\$19,700,353</b>	<b>\$102,074</b>	

**Capital Reserve Balance**

	Total	Per Unit
Year 10	\$197,028	\$1,021
Year 15	(\$103,007)	(\$534)
Year 20	(\$547,151)	(\$2,835)

Sources	Total	Per Unit	% of Total
<b>Debt Sources</b>			
Non-KHC Loans	\$13,102,000	\$67,886	66.5%
<b>Equity Sources</b>			
Deferred Dev Fee	\$1,651,214	\$8,556	8.4%
M2M/Cash Flow Loan	\$0	\$0	0.0%
Historic Tax Credit Equity	\$0	\$0	0.0%
LIHTC Equity	\$4,200,605	\$21,765	21.3%
Other Equity/Grants	\$746,534	\$3,868	3.8%
<b>Total</b>	<b>\$19,700,353</b>	<b>\$102,074</b>	<b>100.0%</b>

**Housing Credit Allowed**

Annual Credit Allowed:	\$424,346
Per Unit:	\$2,199
LIHTC Applicable Fraction	81.3%

**(Gap) or Surplus** **(\$0)** **(\$0)** **0.0%**

**Tax Exempt Bonds**

Tax Exempt Bonds	\$13,000,000
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# Downing Place Townhouses UNITS & INCOME

## Utility Allowances

### Amenities Included in Units:

Oven/Range	Yes	Garbage Disposal	Yes
Refrigerator	Yes	Washer/Dryer	No
Microwave	Yes	Washer/Dryer Hookup	Yes
Dishwasher	Yes		

### Heating System

Heating Fuel: Electric  
 System Type: Forced Air

Utility	Utility Fuel Source <i>(electric, gas, oil, etc.)</i>	Utilities Paid By				Allowance for Utilities Paid by Tenant Only			
		0 BR	1 BR	2 BR	3 BR	4 BR			
Cooking	Electric		Tenant						
Other Lighting	Electric		Tenant						
Hot Water	Electric		Owner						
Water			Owner						
Heating	Electric		Tenant						
Air Conditioning	Electric		Tenant	\$84	\$125				
Sewer			Owner						
Trash Collection			Owner						
<b>TOTAL</b>				<b>\$0</b>	<b>\$84</b>	<b>\$125</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Source for utility allowance:

Other (Attach documentation and include the date of most current chart)

## Unit Distribution

0 Bedroom Units	# of Units	Rent Restriction Program*	Housing Credit Unit(s)?	Project Based Rental Assistance # applicable	Income Restriction	# of Baths	Square Footage Per Unit	Proposed Contract Rent (excludes utility allowance)	Monthly Rent	Annual Rent	Contract Rent + Utility Allowance
									\$0	\$0	\$0
									\$0	\$0	\$0
									\$0	\$0	\$0
									\$0	\$0	\$0
<b>Subtotal</b>	<b>0</b>		<b>0</b>						<b>\$0</b>	<b>\$0</b>	<b>\$0</b>



**Rental Assistance**

Is project-based rental assistance (PBRA) or project-based voucher (PBV) assistance provided? PBRA Source of rental assistance: HUD Project-Based Section 8 Name of other source: \_\_\_\_\_

Number of units receiving rental assistance: 91 Rental assistance contract expiration date: 6/20/17

**Other Income**

(These will be trended at the same rate as rents on the Operating Proforma)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20	Monthly	Annually	
Rent from Commercial Space																							\$0
Interest																							\$0
Laundry																							\$4,752
Parking																							\$0
Tenant Charges (late fees, insufficient funds fees, etc)																							\$27,900
Other (Identify): Misc. Income																							\$36,996
<b>Total Other Income:</b>																							<b>\$69,648</b>

**Annual Operating Subsidies**

	Year 1	Year 2	Year 3	Year 4	Year 5
Source 1:					
Source 2:					
Source 3:					
<b>Total Operating Subsidy:</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

	Year 6	Year 7	Year 8	Year 9	Year 10
Source 1:					
Source 2:					
Source 3:					
<b>Total Operating Subsidy:</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

	Year 11	Year 12	Year 13	Year 14	Year 15
Source 1:					
Source 2:					
Source 3:					
<b>Total Operating Subsidy:</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

	Year 16	Year 17	Year 18	Year 19	Year 20
Source 1:					
Source 2:					
Source 3:					
<b>Total Operating Subsidy:</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

# Downing Place Townhouses ANNUAL OPERATING EXPENSES

County:  
Number of units:  
Target population:

Fayette  
193  
Family

Administrative	Total	Per Unit	% of Total	% EGI
Accounting Services	\$7,500	\$39	1.0%	
Administrative Rent Free Unit(s)	\$12,500	\$65	1.6%	
Bad Debt		\$0	0.0%	
Rent Concessions		\$0	0.0%	
Advertising	\$1,850	\$10	0.2%	
KHC Compliance Monitoring Fees	\$7,720	\$40	1.0%	
Compliance Fees (Other)		\$0	0.0%	
Asset Management Fee		\$0	0.0%	
KHC Annual Issuer's Fee (Year 3+)		\$0	0.0%	
Legal Auditing	\$1,500	\$8	0.2%	
Management Fee	\$64,385	\$334	8.3%	3.79%
Manager(s) Salaries	\$72,460	\$375	9.4%	
Office Salaries	\$66,560	\$345	8.6%	
Office Supplies	\$7,325	\$38	0.9%	
Telephone	\$2,819	\$15	0.4%	
Other: Please identify: Misc. Admin Expenses	\$9,250	\$48	1.2%	
<b>Total Administrative</b>	<b>\$253,869</b>	<b>\$1,315</b>	<b>32.9%</b>	
<b>Operating/Maintenance</b>				
Elevator Maintenance/Contract		\$0	0.0%	
Exterminating Contract	\$6,681	\$35	0.9%	
Grounds Expense	\$23,007	\$119	3.0%	
Janitorial Services		\$0	0.0%	
Repairs/Maintenance	\$49,500	\$256	6.4%	
Security Payroll/Contract	\$10,000	\$52	1.3%	
Waste Collection	\$5,580	\$29	0.7%	
Other: Please identify: Misc. Maint & Repair Expens	\$5,400	\$28	0.7%	
<b>Total Operating/Maintenance</b>	<b>\$100,168</b>	<b>\$519</b>	<b>13.0%</b>	
<b>Utilities</b>				
Electricity	\$38,100	\$197	4.9%	
Gas	\$0	\$0	0.0%	
Sewer	\$69,796	\$362	9.0%	
Water	\$52,792	\$274	6.8%	
Other: Please identify: Fire Protection	\$56	\$0	0.0%	
<b>Total Utilities</b>	<b>\$160,744</b>	<b>\$833</b>	<b>20.8%</b>	
<b>Taxes/Insurance</b>				
Property Insurance	\$109,902	\$569	14.2%	
Other Insurance		\$0	0.0%	
Payroll Taxes		\$0	0.0%	
Real Estate Taxes	\$105,616	\$547	13.7%	
Workmen's Comp.		\$0	0.0%	
Other: Please identify: Employee Burden	\$41,706	\$216	5.4%	
<b>Total Taxes/Insurance</b>	<b>\$257,224</b>	<b>\$1,333</b>	<b>33.3%</b>	
<b>Total Operating Expenses</b>	<b>\$772,005</b>	<b>\$4,000</b>	<b>100.0%</b>	

	Tenant Utilities	Responsible Party
Who will be responsible for tenant utilities? Does not include common areas.	Electricity	Tenant
	Gas	
	Water	Owner/Project
	Sewer	Owner/Project
	Other:	

For which county was the KHC historical expense data utilized? \_\_\_\_\_

Enter the historical 2014 PUPA expense, excluding utilities, for the above county: \_\_\_\_\_

# Downing Place Townhouses Operating Proforma

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>REVENUE</b>										
Gross Rent Potential	\$1,768,440	\$1,803,809	\$1,839,885	\$1,876,683	\$1,914,216	\$1,952,501	\$1,991,551	\$2,031,382	\$2,072,008	\$2,113,450
Vacancy Rate	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Adjusted Gross Income	\$1,626,965	\$1,659,504	\$1,692,694	\$1,726,548	\$1,761,079	\$1,796,301	\$1,832,227	\$1,868,871	\$1,906,249	\$1,944,374
Operating Subsidies	\$69,648	\$71,041	\$72,462	\$73,911	\$75,389	\$76,897	\$78,435	\$80,004	\$81,604	\$83,236
Effective Gross Income (Net Income)	\$1,696,613	\$1,730,545	\$1,765,156	\$1,800,459	\$1,836,468	\$1,873,198	\$1,910,662	\$1,948,875	\$1,987,852	\$2,027,609
Per Unit	\$8,791	\$8,967	\$9,146	\$9,329	\$9,515	\$9,706	\$9,900	\$10,098	\$10,300	\$10,506
<b>OPERATING EXPENSES</b>										
Administrative	\$253,869	\$261,485	\$269,330	\$277,410	\$285,732	\$294,304	\$303,133	\$312,227	\$321,584	\$331,241
Operating/Maintenance	\$100,168	\$103,173	\$106,268	\$109,456	\$112,740	\$116,122	\$119,606	\$123,194	\$126,890	\$130,697
Utilities	\$160,744	\$165,566	\$170,533	\$175,649	\$180,919	\$186,346	\$191,937	\$197,695	\$203,626	\$209,734
Taxes/Insurance	\$257,224	\$264,941	\$272,889	\$281,076	\$289,508	\$298,193	\$307,139	\$316,353	\$325,844	\$335,619
Total Operating Expenses	\$772,005	\$795,165	\$819,020	\$843,591	\$868,898	\$894,965	\$921,814	\$949,469	\$977,953	\$1,007,281
Per Unit	\$4,000	\$4,120	\$4,244	\$4,371	\$4,502	\$4,637	\$4,776	\$4,920	\$5,067	\$5,219
Reserve For Replacement	\$57,900	\$59,637	\$61,426	\$63,269	\$65,167	\$67,122	\$69,136	\$71,210	\$73,346	\$75,546
Net Operating Income (NOI)	\$866,705	\$875,743	\$884,710	\$893,599	\$902,403	\$911,110	\$919,712	\$928,196	\$936,553	\$944,772
Per Unit	\$4,491	\$4,538	\$4,584	\$4,630	\$4,676	\$4,721	\$4,765	\$4,809	\$4,853	\$4,895
<b>DEBT SERVICE</b>										
Non-KHC loan #1 (Identify le	\$598,134	\$599,134	\$744,255	\$744,255	\$744,255	\$744,255	\$744,255	\$744,255	\$744,255	\$744,255
Non-KHC loan #2 (Identify le	\$15,940	\$15,940	\$15,940	\$15,940	\$15,940	\$15,940	\$15,940	\$15,940	\$15,940	\$15,940
Non-KHC loan #3 (Identify le	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Non-KHC loan #4 (Identify le	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Non-KHC loan #5 (Identify le	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Debt Service	\$815,074	\$815,074	\$760,195	\$760,195	\$760,195	\$760,195	\$760,195	\$760,195	\$760,195	\$760,195
Debt Coverage Ratio (DCR)	1.41	1.42	1.16	1.18	1.19	1.20	1.21	1.22	1.23	1.24
<b>CASH FLOW</b>										
Per Unit	\$251,634	\$260,669	\$124,515	\$133,404	\$142,208	\$150,915	\$159,517	\$168,001	\$176,358	\$184,577
Per Unit	\$1,304	\$1,351	\$645	\$691	\$737	\$782	\$827	\$870	\$914	\$956
<b>Expenses Subject to Available Cash Flow:</b>										
Per Unit	\$162,130	\$14,475	\$14,909	\$15,357	\$15,817	\$16,292	\$16,780	\$17,284	\$17,802	\$18,336
<b>Expenses Subject to Available Cash Flow:</b>										
Per Unit	\$89,504	\$246,194	\$109,605	\$118,048	\$126,397	\$134,624	\$142,736	\$150,717	\$158,556	\$166,240
Deferred Developer Fee Repayment	\$1,651,214	\$232,112	\$98,991	\$107,434	\$115,777	\$124,010	\$132,122	\$140,103	\$147,942	\$155,626
Outstanding Balance	\$69,504	\$1,410,102	\$1,320,117	\$1,212,877	\$1,096,000	\$972,890	\$840,768	\$700,665	\$562,723	\$427,097
Net Final Cash Flow	\$464	\$14,082	\$10,614	\$10,614	\$10,614	\$10,614	\$10,614	\$10,614	\$10,614	\$10,614
Per Unit	\$73	\$73	\$55	\$55	\$55	\$55	\$55	\$55	\$55	\$55

Expenses Subject to Available Cash Flow:

Year 1 : Cash Flow used during development as source. Investor Service Fee \$75 unit (3% increase) Partnership Mfg. Fee \$150 unit after DDF (3% increase)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Beginning of the year balance:	\$0	\$57,900	\$118,695	\$139,049	\$163,653	\$150,786	\$139,904	\$170,778	\$223,016	\$246,628
Annual reserve deposits:	\$57,900	\$59,637	\$61,426	\$63,269	\$65,167	\$67,122	\$69,136	\$71,210	\$73,346	\$75,546
<b>Total Annual Capital Needs:</b>	\$0	\$0	(\$43,448)	(\$41,448)	(\$81,307)	(\$41,020)	(\$41,059)	(\$22,368)	(\$54,194)	(\$130,079)
Annual net change	\$57,900	\$59,637	\$17,980	\$21,823	-\$16,140	-\$13,898	\$28,077	\$48,822	\$19,152	-\$54,533
Sub-Total:	\$57,900	\$117,537	\$136,675	\$160,872	\$147,513	\$138,888	\$167,980	\$219,600	\$242,168	\$192,095
Annual Interest on Reserve Account: 2.00%	\$0	\$1,158	\$2,374	\$2,781	\$3,273	\$3,816	\$4,416	\$5,073	\$5,793	\$6,573
End of the year balance:	\$57,900	\$118,695	\$139,049	\$163,653	\$150,786	\$139,904	\$170,778	\$223,016	\$246,628	\$197,028
Uplift reserve needed to balance to start of Year 10:	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Uplift reserve needed to balance to start of Year 15:	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Uplift reserve needed to balance to start of Year 20:	\$254,811	\$254,811	\$254,811	\$254,811	\$254,811	\$254,811	\$254,811	\$254,811	\$254,811	\$254,811



### Downing Place Townhouses Operating Proforma

	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
<b>REVENUE</b>										
Gross Rent Potential	\$2,155,718	\$2,198,833	\$2,242,810	\$2,287,666	\$2,333,419	\$2,380,087	\$2,427,689	\$2,476,243	\$2,525,768	\$2,576,283
Vacancy Rate	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Adjusted Gross Income	\$1,983,261	\$2,022,926	\$2,063,385	\$2,104,652	\$2,146,746	\$2,189,680	\$2,233,474	\$2,278,144	\$2,323,706	\$2,370,180
Operating Subsidies	\$84,901	\$86,589	\$88,331	\$90,087	\$91,889	\$93,737	\$95,612	\$97,524	\$99,474	\$101,464
<b>Effective Gross Income (Net Income)</b>	<b>\$2,068,162</b>	<b>\$2,109,515</b>	<b>\$2,151,715</b>	<b>\$2,194,740</b>	<b>\$2,238,635</b>	<b>\$2,283,417</b>	<b>\$2,329,086</b>	<b>\$2,375,668</b>	<b>\$2,423,181</b>	<b>\$2,471,644</b>
<b>OPERATING EXPENSES</b>										
Administrative	\$341,179	\$351,414	\$361,956	\$372,815	\$384,000	\$395,520	\$407,385	\$419,607	\$432,195	\$445,161
Operating/Maintenance	\$134,617	\$138,656	\$142,816	\$147,100	\$151,513	\$156,058	\$160,740	\$165,562	\$170,529	\$175,645
Utilities	\$216,026	\$222,507	\$229,183	\$236,058	\$243,140	\$250,434	\$257,947	\$265,685	\$273,656	\$281,866
Taxes/Insurance	\$345,688	\$356,058	\$366,740	\$377,742	\$389,074	\$400,747	\$412,769	\$425,152	\$437,907	\$451,044
<b>Total Operating Expenses</b>	<b>\$1,037,510</b>	<b>\$1,068,635</b>	<b>\$1,100,695</b>	<b>\$1,133,715</b>	<b>\$1,167,727</b>	<b>\$1,202,759</b>	<b>\$1,238,841</b>	<b>\$1,275,007</b>	<b>\$1,314,287</b>	<b>\$1,353,715</b>
<b>Net Operating Income (NOI)</b>	<b>\$1,030,652</b>	<b>\$1,040,880</b>	<b>\$1,051,020</b>	<b>\$1,061,025</b>	<b>\$1,070,908</b>	<b>\$1,080,658</b>	<b>\$1,090,245</b>	<b>\$1,100,161</b>	<b>\$1,110,323</b>	<b>\$1,120,929</b>
<b>DEBT SERVICE</b>										
Non-KHC loan #1 (Identify le	\$744,255	\$744,255	\$744,255	\$744,255	\$744,255	\$744,255	\$744,255	\$744,255	\$744,255	\$744,255
Non-KHC loan #2 (Identify le	\$15,940	\$15,940	\$15,940	\$15,940	\$15,940	\$15,940	\$15,940	\$15,940	\$15,940	\$15,940
Non-KHC loan #3 (Identify le	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Non-KHC loan #4 (Identify le	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Non-KHC loan #5 (Identify le	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total Debt Service</b>	<b>\$760,195</b>	<b>\$760,195</b>	<b>\$760,195</b>	<b>\$760,195</b>	<b>\$760,195</b>	<b>\$760,195</b>	<b>\$760,195</b>	<b>\$760,195</b>	<b>\$760,195</b>	<b>\$760,195</b>
<b>Debt Coverage Ratio (DCR)</b>	<b>1.25</b>	<b>1.26</b>	<b>1.27</b>	<b>1.28</b>	<b>1.29</b>	<b>1.30</b>	<b>1.31</b>	<b>1.32</b>	<b>1.33</b>	<b>1.34</b>
<b>CASH FLOW</b>	<b>\$270,457</b>	<b>\$280,685</b>	<b>\$290,825</b>	<b>\$300,830</b>	<b>\$310,733</b>	<b>\$320,534</b>	<b>\$330,240</b>	<b>\$339,856</b>	<b>\$349,383</b>	<b>\$358,820</b>
<b>Expenses Subject to Available Cash Flow</b>										
(Asset Mgr. Fee, Investor Fees, etc. - identify below)	\$18,887	\$49,272	\$50,750	\$52,272	\$53,841					
<b>Cash Flow Loan or M2M Repayment</b>										
Remaining Cash Flow	\$173,757	\$151,275	\$157,524	\$163,539	\$169,303	\$230,258	\$237,137	\$243,766	\$250,128	\$256,206
Deferred Developer Fee Repayment	\$183,143	\$140,861	\$146,910	\$152,837	\$158,571	\$164,111	\$169,556	\$174,904	\$180,157	\$185,319
Outstanding Balance	\$239,954	\$83,293	\$63,617	\$43,941	\$24,265	\$4,589	\$-9,081	\$-18,611	\$-28,141	\$-37,671
<b>Net Final Cash Flow</b>	<b>\$55</b>	<b>\$10,614</b>	<b>\$10,614</b>	<b>\$10,614</b>	<b>\$10,614</b>	<b>\$10,614</b>	<b>\$10,614</b>	<b>\$10,614</b>	<b>\$10,614</b>	<b>\$10,614</b>
<b>Per Unit</b>										

Unpaid Developer Fee after Year 15: -\$85,251  
 Unpaid Cash Flow Loan after Year 15: \$0

### CAPITAL RESERVE BALANCE ANALYSIS

	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Beginning of the year balance:	\$197,028	\$145,095	\$87,187	\$60,580	\$41,732	-\$103,007	-\$219,500	-\$319,458	-\$392,862	-\$350,233
Annual reserve deposits:	\$77,813	\$80,147	\$82,552	\$85,028	\$87,579	\$90,206	\$92,913	\$95,700	\$98,571	\$101,528
<b>Total Annual Capital Needs:</b>	<b>(\$133,688)</b>	<b>(\$140,977)</b>	<b>(\$110,882)</b>	<b>(\$105,082)</b>	<b>(\$33,332)</b>	<b>(\$206,790)</b>	<b>(\$182,870)</b>	<b>(\$166,904)</b>	<b>(\$56,142)</b>	<b>(\$298,446)</b>
Annual net change:	-\$55,873	-\$60,830	-\$26,330	-\$20,060	-\$145,573	-\$116,494	-\$99,957	-\$73,204	-\$42,429	-\$196,918
Sub-Total:	\$141,155	\$84,265	\$60,857	\$40,520	\$103,841	-\$219,500	-\$319,458	-\$392,862	-\$350,233	-\$547,151
Annual Interest on Reserve Account:	\$3,941	\$2,902	\$1,743	\$1,212	\$835	\$0	\$0	\$0	\$0	\$0
<b>End of the year balance:</b>	<b>\$145,095</b>	<b>\$87,187</b>	<b>\$60,580</b>	<b>\$41,732</b>	<b>-\$103,007</b>	<b>-\$219,500</b>	<b>-\$319,458</b>	<b>-\$392,862</b>	<b>-\$350,233</b>	<b>-\$547,151</b>

Upfront reserve needed to balance to start of Year 10:  
 Upfront reserve needed to balance to start of Year 15:  
 Upfront reserve needed to balance to start of Year 20:

## Downing Place Townhouses INITIAL HOUSING CREDIT ALLOCATION ANALYSIS

<b>Applicable Fraction</b> <i>(Use lower of unit fraction or square footage fraction)</i>	
Housing Credit units	155
Total units	193
Applicable Fraction	80.3%
Housing Credit Square Footage	150,226
Total Gross Square Footage	184,826
Applicable Fraction	81.3%
<b>Equity Gap Calculation Test</b>	
Total Development Cost (TDC)	\$19,700,353
Less Financing	\$15,499,748
Equity Gap	\$4,200,605
Anticipated Credit Pricing (per dollar of eligible basis)	\$0.9900
Percentage of Credits to Investor(s)	99.99%
Total Credit Need	\$4,243,460
<b>Annual Credit Need</b>	<b>\$424,346</b>

<b>30% Present Value Credit (4%)</b>	
Housing Credit Allocation Requested	\$424,346
Qualified Basis Test	\$426,114
	<b>4% Credit</b>
	<b>\$426,114</b>

<b>Total Credit Allowed</b>	
Equity Gap Test	\$424,346
Qualified Basis Test	\$426,114
<b>Total Credit Allowed (lesser of 2 tests)</b>	<b>\$424,346</b>

MAYOR JIM GRAY



**LEXINGTON**

RICHARD MCQUADY  
DIRECTOR  
AFFORDABLE HOUSING

March 27, 2017

Mr. Drew Sullivan, Development Officer  
LEDIC Realty Company  
105 Tallapoosa Street, Suite 300  
Montgomery, AL 36104

Dear Mr. Sullivan,

This letter serves as a commitment of \$600,000 in Affordable Housing Funds for the acquisition and rehabilitation of Downing Place Apartments located at 3395 Spangler Drive in Lexington, Kentucky. The funds are allocated to the project as a \$300,000 second mortgage loan at an interest rate of 4% with a term of 16 years. The loan will be amortized over a 35 year term. The remaining \$300,000 will be in the form of deferred loan for 16 years. The interest rate on this loan will be 0% and the loan will be forgiven as long as the units are in compliance with the loan terms.

The funds from both loans are eligible to be disbursed during the construction phase of the project.

A 1% fee of \$6,000 is due at closing.


This commitment is contingent upon:

1. The Affordable Housing Loan must be current in accordance with the loan amortization schedule prior to any repayments of the deferred developer fee.
2. The Lexington-Fayette Urban County Government including funding for the Affordable Housing Fund in its Fiscal 2018 Budget.



Please indicate below your acceptance of the terms of this commitment. Upon acceptance we will work to close the transaction and construction can begin. I look forward to working with you on this needed affordable housing development in Lexington.

Sincerely,



Richard L. McQuady  
Affordable Housing Manager

Accepted by:



LRC-Downing Place, LP



**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
AFFORDABLE HOUSING FUND  
DEFERRED LOAN PROMISSORY NOTE**

**\$300,000.00**

**July<sup>2<sup>d</sup></sup>, 2017**

FOR VALUE RECEIVED, LRC – DOWNING PLACE, LP, a Kentucky limited partnership, whose principal address is c/o LEDIC Realty Company, LLC, 105 Tallapoosa Street, Suite 300, Montgomery, Alabama 36104 (the “Maker”) promises to pay to LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT (“LFUCG”), an urban county government created pursuant to KRS Chapter 67A, whose principal address is 200 East Main Street, Lexington, Kentucky 40507, its successors and assigns, the principal sum of **THREE HUNDRED THOUSAND AND 00/100 DOLLARS (\$300,000.00)** or lesser amount as may be endorsed on this Deferred Loan Promissory Note on behalf of LFUCG, at the rate of zero percent (0%) per annum

A. Payments shall be required as follows:

1. Unless otherwise agreed to in writing, or otherwise required by applicable law, payments shall be applied first to accrued, unpaid interest, if any, then to principal, and any remaining amount to any unpaid costs or charges, provided however, upon an Event of Default, LFUCG reserves the right to apply payments in its sole discretion;
2. Any payment due under this Note on a day which is not a business day shall be made on the succeeding business day and any resulting extension of time shall be included in the computation of the interest payment amount.
3. Any interest hereunder shall be computed on the basis of a year of 360 days, and in each case shall be payable for the actual number of days elapsed.
4. The entire principal balance, together with all interest accrued and unpaid thereon and all other sums due under this Note shall be due and payable on July 1, 2052, (the “Maturity Date”)

- B. However, so long as the Maker ensures the Affordability Period of a minimum of thirty-five (35) years from the date Funds are first expended on the Project as defined in Section 3.3 of the Loan Agreement AND that no Breach or Event of Default as defined in Sections 5.1 and 5.2 of the Loan Agreement has occurred without cure or continues to occur without cure, then LFUCG may in its sole discretion elect not to require payment on its Maturity Date.

If any payment required under this Note is not paid within ten (10) days after such payment is due, the undersigned will pay to LFUCG or the subsequent holder of this Note a late charge equal to five percent (5%) of the amount of such payment or Twenty-five Dollars (\$25.00), whichever is greater, up to a maximum of One Thousand Five Hundred Dollars (\$1,500.00) per late charge to compensate LFUCG for administrative expenses and other costs of delinquent payments. This late charge may be assessed without notice, shall be immediately due and payable and shall be in addition to all other rights and remedies available to LFUCG.

This Note evidences indebtedness incurred under, and is subject to the terms and provisions of, a Commitment Letter (the “Commitment Letter”) dated March 27, 2017 and a Loan Agreement

between the undersigned and LFUCG ("Loan Agreement"), of even date herewith, providing a Deferred Loan of **THREE HUNDRED THOUSAND AND 00/100 DOLLARS (\$300,000.00)** and this Note is expressly subject to and will be bound by the terms and conditions set forth in such Commitment and Loan Agreement as if all of such terms and conditions were expressly set forth herein.

If (1) any installment of interest or the payment of principal required by this Note remains unpaid for more than 10 days after the due date thereof, (2) the undersigned or any guarantor should be the subject of any voluntary or involuntary bankruptcy, receivership or other insolvency proceeding, (3) the undersigned fails to observe or perform any of the terms of this Note or (4) there is any default by undersigned under the Rehabilitation Loan Agreement, the Mortgage or any other document, instrument or agreement providing any security for this Note, then, in any of those events, LFUCG or the holder of this Note may declare the remaining principal balance of this Note (or so much thereof as may have been advanced) to be immediately due and payable. In the event of default under this Promissory Note, interest shall accrue on the entire unpaid balance at a rate of twelve percent (12%) per annum from the date the default is declared until the default has been cured.

Any waiver of any default hereunder or under the instruments securing this Note at any time will not, at any other time, constitute a waiver of the terms of this Note or the instruments securing it, and the acceptance of payments upon the indebtedness evidenced hereby will not constitute a waiver of the option of LFUCG or the holder of this note to accelerate repayment of the entire unpaid balance, unless LFUCG or the holder expressly grants such waiver in writing.

The undersigned and all persons now or hereafter liable, whether primarily or secondarily, for the whole or any part of the indebtedness evidenced by this Note jointly and severally:

(a) agree to remain and continue to be responsible for the payment of the principal of and interest on this note notwithstanding any extension or extensions of time of the payment of the principal or interest, or any change or changes by way of release or surrender of any collateral, real or personal, held as security for the payment of this Note, and waive all and every kind of notice of such extension or extensions, change or changes and agree that the same may be made without the joinder of any such persons;

(b) waive presentment, notice of dishonor, protest, notice of protest and diligence in collection and all exemptions, whether homestead or otherwise, to which they or any of them may now or hereafter be entitled under the laws of Kentucky or any other state; and

(c) agree, upon default, to pay all costs of collection, securing or attempting to collect or secure this Note, including a reasonable attorney's fee, whether same be collected or secured by suit or otherwise, providing the collection of such costs and fees is permitted by applicable law.

This Note may be assigned in whole or in part by LFUCG or any other holder hereof.

The undersigned may prepay the principal amount outstanding in whole or in part at any time without penalty.

The Maker (and the undersigned representative(s) of the Maker) represents that the Maker has full power, authority and legal right to execute and deliver this Note and that this Note constitutes a valid and binding obligation of the Maker.

This Note will be governed by and construed in accordance with the laws of the Commonwealth of Kentucky.

The undersigned shall have no personal liability under this note or any other Loan Document for the repayment of the indebtedness evidenced by this note or for the performance of any other obligations of the undersigned under the Loan Documents (collectively, the "Indebtedness"), and LFUCG's only recourse for the satisfaction of the Indebtedness and the

performance of such obligations shall be LFUCG's exercise of its rights and remedies under the Loan Documents with respect to the Premises (as defined in the Mortgage) and any other collateral held by LFUCG as security for the Indebtedness. This limitation on the undersigned's liability shall not limit or impair LFUCG's enforcement of its rights against any indemnitor or guarantor pursuant to any agreement of indemnity or guaranty. Notwithstanding the foregoing provisions, the undersigned shall be fully and personally liable for damages to LFUCG resulting from (i) the undersigned's fraud or misrepresentation, whether affirmative or by omission; (ii) the misapplication of (a) proceeds of insurance covering any portion of the Premises, or (b) proceeds of condemnation of any portion of the Premises or proceeds from the sale or conveyance of any portion of the Premises in lieu of condemnation; (iii) all reasonable costs and expenses including court costs and reasonable attorney's fees incurred in collecting any of the foregoing.

[The remainder of this page has been intentionally left blank. A signature page for the Maker follows this page.]





**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
AFFORDABLE HOUSING FUND  
PROMISSORY NOTE**

**\$300,000.00**

**July 20 2017**

FOR VALUE RECEIVED, **LRC – DOWNING PLACE, LP**, a Kentucky limited partnership, whose principal address is c/o LEDIC Realty Company, LLC, 105 Tallapoosa Street, Suite 300, Montgomery, Alabama 36104 (the “Maker”) promises to pay to **LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT (“LFUCG”)**, an urban county government created pursuant to KRS Chapter 67A, whose principal address is 200 East Main Street, Lexington, Kentucky 40507, its successors and assigns, the principal sum of **THREE HUNDRED THOUSAND AND 00/100 DOLLARS (\$300,000.00)** or so much thereof as may be advanced under the Loan Documents (as defined in the Loan Agreement) and outstanding, together with interest thereon at the rate of four percent (4%) per annum to be computed from the date of each disbursement, calculated and paid in the manner hereinafter set forth, as follows:

- A. Interest on the outstanding principal *calculated in the manner set forth below* shall be due and payable in arrears and paid annually to the extent of available Net Cash Flow (as defined pursuant to Section 4.2 of Maker’s Amended and Restated Agreement of Limited Partnership) and in the order of priority set forth therein, until the principal balance shall be paid in full.
- B. Unless otherwise agreed to in writing, or otherwise required by applicable law, payments shall be applied first to accrued, unpaid interest, then to principal, and any remaining amount to any unpaid costs or charges, provided however, upon an Event of Default, without cure, LFUCG reserves the right to apply payments in its sole discretion;
- C. Any payment due under this Note on a day which is not a business day shall be made on the succeeding business day and any resulting extension of time shall be included in the computation of the interest payment amount.
- D. All interest hereunder shall be computed on the basis of a year of 360 days, on a 35-year term amortized for 35 years and in each case shall be payable for the actual number of days elapsed.
- E. The entire principal balance, together with all interest accrued and unpaid thereon and all other sums due under this Note shall be due and payable on July 1, 2052, (the “Maturity Date”)

If any payment required under this Note is not paid within ten (10) days after such payment is due, the undersigned will pay to LFUCG or the subsequent holder of this Note a late charge equal to five percent (5%) of the amount of such payment or Twenty-five Dollars (\$25.00), whichever is greater, up to a maximum of One Thousand Five Hundred Dollars (\$1,500.00) per late charge to compensate LFUCG for administrative expenses and other costs of delinquent payments. This late charge may be assessed without notice, shall be immediately due and payable and shall be in addition to all other rights and remedies available to LFUCG.

This Note evidences indebtedness incurred under, and is subject to the terms and provisions of, a Commitment Letter (the “Commitment Letter”) dated March 27, 2017, and a Loan Agreement (“Loan Agreement”) between the undersigned and LFUCG, of even date herewith, providing for an amortizing mortgage loan of **THREE HUNDRED THOUSAND AND 00/100 DOLLARS (\$300,000.00)** and this Note is expressly subject to and will be bound by the terms and conditions set forth in such

Commitment and Loan Agreement as if all of such terms and conditions were expressly set forth herein.

If (1) any installment of interest or the payment of principal required by this Note remains unpaid for more than 10 days after the due date thereof, or (2) the undersigned or any guarantor should be the subject of any voluntary or involuntary bankruptcy, receivership or other insolvency proceeding, or (3) the undersigned fails to observe or perform any of the terms of this Note or (4) there is any default by undersigned under the Rehabilitation Loan Agreement, the Mortgage or any other document, instrument or agreement providing any security for this Note, then, in any of those events, LFUCG or the holder of this Note may declare the remaining principal balance of this Note (or so much thereof as may have been advanced) to be immediately due and payable. In the event of default under this Promissory Note, interest shall accrue on the entire unpaid balance at a rate of twelve percent (12%) per annum from the date the default is declared until the default has been cured.

Any waiver of any default hereunder or under the instruments securing this Note at any time will not, at any other time, constitute a waiver of the terms of this Note or the instruments securing it, and the acceptance of payments upon the indebtedness evidenced hereby will not constitute a waiver of the option of LFUCG or the holder of this note to accelerate repayment of the entire unpaid balance, unless LFUCG or the holder expressly grants such waiver in writing.

This Note is also secured by and is the same Note mentioned in a real estate Mortgage of even date herewith executed in favor of LFUCG by the undersigned, and this Note is expressly made subject to and will be bound by the terms and conditions set forth in said Mortgage as if all of such terms and conditions were expressly set forth herein. All sums which shall or may become due and payable by the Maker in accordance with the provisions of this Note shall be deemed to constitute additional interest on, and shall be evidenced by this Note, shall be secured by the Mortgage and the other Loan Documents.

The undersigned and all persons now or hereafter liable, whether primarily or secondarily, for the whole or any part of the indebtedness evidenced by this Note jointly and severally:

(a) agree to remain and continue to be responsible for the payment of the principal of and interest on this note notwithstanding any extension or extensions of time of the payment of the principal or interest, or any change or changes by way of release or surrender of any collateral, real or personal, held as security for the payment of this Note, and waive all and every kind of notice of such extension or extensions, change or changes and agree that the same may be made without the joinder of any such persons;

(b) waive presentment, notice of dishonor, protest, notice of protest and diligence in collection and all exemptions, whether homestead or otherwise, to which they or any of them may now or hereafter be entitled under the laws of Kentucky or any other state; and

(c) agree, upon default, to pay all costs of collection, securing or attempting to collect or secure this Note, including a reasonable attorney's fee, whether same be collected or secured by suit or otherwise, providing the collection of such costs and fees is permitted by applicable law.

This Note may be assigned in whole or in part by LFUCG or any other holder hereof.

The undersigned may prepay the principal amount outstanding in whole or in part at any time without penalty.

The Maker (and the undersigned representative(s) of the Maker) represents that the Maker has full power, authority and legal right to execute and deliver this Note and that this Note constitutes a valid and binding obligation of the Maker.

This Note will be governed by and construed in accordance with the laws of the Commonwealth of Kentucky.

The undersigned shall have no personal liability under this note or any other Loan Document for the repayment of the indebtedness evidenced by this note or for the performance of any other obligations of the undersigned under the Loan Documents (collectively, the "Indebtedness"), and LFUCG's only recourse for the satisfaction of the Indebtedness and the performance of such obligations shall be LFUCG's exercise of its rights and remedies under the Loan Documents with respect to the Premises (as defined in the Mortgage) and any other collateral held by LFUCG as security for the Indebtedness. This limitation on the undersigned's liability shall not limit or impair LFUCG's enforcement of its rights against any indemnitor or guarantor pursuant to any agreement of indemnity or guaranty. Notwithstanding the foregoing provisions, the undersigned shall be fully and personally liable for damages to LFUCG resulting from (i) the undersigned's fraud or misrepresentation, whether affirmative or by omission; (ii) the misapplication of (a) proceeds of insurance covering any portion of the Premises, or (b) proceeds of condemnation of any portion of the Premises or proceeds from the sale or conveyance of any portion of the Premises in lieu of condemnation; and (iii) all reasonable costs and expenses including court costs and reasonable attorney's fees incurred in collecting any of the foregoing.

LRC – DOWNING PLACE, LP, a Kentucky limited partnership

By: LRC – Downing Place GP, LLC, a Kentucky limited liability company, its General Partner

By: LRC GP, LLC, a Delaware limited liability company, its sole Member

By: LEDIC Realty Company, LLC, a Delaware limited liability company, its sole Member

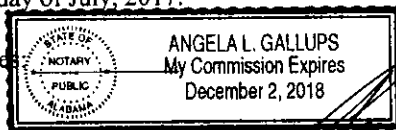
By: [Signature]  
Name: W. David Hays, Jr.  
Title: Chief Financial Officer

STATE OF ALABAMA )  
 )  
COUNTY OF Montgomery )

I, Angela Gallups, a notary public in and for said County in said State, hereby certify that W. David Hays, Jr. whose name as Authorized Officer of LRC – Downing Place GP, LLC, by LRC GP, LLC, by LEDIC Realty Company, LLC, a Delaware limited liability company, is signed to the foregoing Agreement, and who is known to me, acknowledged before me on this day that, being informed of the contents of said Agreement, he, as such officer and with full authority, executed the same voluntarily for and as the act of said company.

Given under my hand this 10<sup>th</sup> day of July, 2017.

My commission expires



[Signature]  
Notary Public

THIS INSTRUMENT PREPARED BY:

\_\_\_\_\_  
Melissa Moore Murphy, Esq.  
Attorney Senior  
Lexington-Fayette Urban County Government  
200 East Main Street  
Lexington, Kentucky 40507  
(859) 258-3500

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
AFFORDABLE HOUSING FUND  
MORTGAGE**

This **MORTGAGE** ("Mortgage"), is made and entered into this 20 day of July, 2017 by and between **LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**, an urban county government created pursuant to KRS 67A, whose principal address is 200 East Main Street, Lexington, Kentucky 40507 (herein "LFUCG") through its **OFFICE OF AFFORDABLE HOUSING**, and **LRC – DOWNING PLACE, LP**, a Kentucky limited partnership, whose principal address is c/o LEDIC Realty Company, LLC, 105 Tallapoosa Street, Suite 300, Montgomery, Alabama 36104 (herein "Mortgagor").

**WITNESSETH:**

Mortgagor hereby recites and agrees as follows, which recitations and agreements constitute a part of this Mortgage:

**WHEREAS**, Mortgagor is indebted to LFUCG for monies loaned or to be loaned to Mortgagor under the terms of a commitment letter dated March 27, 2017 and accepted by Mortgagor on March 27, 2017 and an Affordable Housing Fund Loan Agreement (the "Loan Agreement") of even date herewith, between Mortgagor and LFUCG providing for an Affordable Housing Fund Mortgage Loan in the amount of **THREE HUNDRED THOUSAND AND 00/100 DOLLARS (\$300,000.00)**, (the "Mortgage Loan "); and

A. Mortgagor has determined that it is to Mortgagor's direct and indirect economic benefit that LFUCG make the Mortgage Loan to Mortgagor, and therefore have agreed to execute and deliver this Mortgage in order to secure repayment of the Mortgage Loan.

Terms used herein and not otherwise defined shall have the meaning set forth in the Loan Agreement.

**NOW, THEREFORE, MORTGAGOR**, in consideration of the Mortgage Loan, hereby conveys to LFUCG, with covenant of general warranty all of Mortgagor's right, title and interest in and to certain real estate located in Fayette County, Kentucky (more particularly described in Exhibit A attached hereto and incorporated herein by reference) (the "Property");

**TOGETHER** with all privileges and appurtenances thereunto belonging, Mortgagor's interest as lessor in any leases affecting the premises, and all revenues, rents, issues and profits from the premises (whether payable under a lease or otherwise), and all the estate, right, title and interest of Mortgagor, at law or in equity, of, in and to the Mortgagor's leasehold interest in the Property herein described, and every part thereof, and together with all buildings and improvements now existing or hereafter constructed or placed thereon; and together with all heating, ventilating, and air conditioning equipment relative thereto and all fixtures, now or hereafter located in or upon or affixed to the Property, and all machinery, apparatus, equipment and articles of personal property of every kind and description belonging to Mortgagor, now or hereafter located in or upon or affixed to the Property, all of which are and shall be a part of said Property and a portion of the security for the Mortgage Loan ; and together with all insurance or condemnation proceeds accruing or arising or relative to any of the foregoing during the term of this Mortgage;

ALL the foregoing property, interests and rights encumbered by this Mortgage are hereafter collectively referred to as the "Premises".

**TO HAVE AND TO HOLD** the Premises with the privileges and appurtenances thereunto belonging, and all rents, revenues, issues and profits therefrom, unto LFUCG, its successors and assigns, forever, for the uses and purposes herein expressed. Mortgagor covenants that Mortgagor is well seized of the Premises and each portion thereof, and has full right and power to grant, bargain, sell, convey, mortgage and warrant the Mortgagor's interest in the same in the manner and form written. Mortgagor represents and warrants to LFUCG that the granting of this Mortgage has been and is duly authorized. Mortgagor covenants that the Premises are free from all liens and encumbrances whatsoever, excepting; (i) the lien of general taxes not yet due and payable, easements and restrictions of record, and restrictions and zoning laws affecting the Premises, if any; (ii) Permitted Encumbrances (as hereinafter defined); and (iii) any leases as may now or hereafter affect any portion of the Premises. Mortgagor warrants and will defend the Premises, with the privileges and appurtenances thereunto belonging, to LFUCG, its successors and assigns forever, against all claims and demands whatsoever adverse to the interest of LFUCG, at Mortgagor's sole expense.

**THIS MORTGAGE** is given to secure: (a) Payment of the Mortgage Loan , same being evidenced by a promissory note (hereafter the "Note") of even date herewith and any modifications, extensions or renewals thereof, executed and delivered by Mortgagor to LFUCG, in the principal amount of **THREE HUNDRED THOUSAND AND 00/100 DOLLARS (\$300,000.00)**, and payment of interest thereon at the rate(s) and in the manner provided therein; the entire principal amount advanced and all interest thereon, if not sooner paid, being due and payable by Mortgagor on July 1, 2052, as more particularly described in the Note; and (b) payment by Mortgagor of its obligations to LFUCG of all sums expended or advanced by LFUCG pursuant to any provisions and performance of each and every of LFUCG's and Mortgagor's respective covenants, conditions and agreements contained in this Mortgage, the Note, the Mortgage Loan Agreement and any other instrument or agreement evidencing, securing or otherwise pertaining to the Mortgage Loan (hereafter collectively, the "Mortgage Loan Documents"). (Hereafter all references to the "Mortgage Loan " where appropriate shall include all advances made and expenses incurred by LFUCG pursuant to this Mortgage for the protection of the Premises and all other security for the Mortgage Loan .).

**AND MORTGAGOR, AND EACH OF THEM, AND WHEN AND AS APPLICABLE, HEREBY COVENANTS AND AGREES THAT:**

1. Mortgagor agrees to pay the principal of and interest on the Mortgage Loan evidenced by the Note and secured hereby, to be paid at the times and in the manner provided in the Note.
2. Mortgagor will pay or will have paid all taxes, assessments, and other similar charges levied upon the Premises before the same become delinquent, and will promptly deliver to LFUCG, if requested, receipts of the proper officers therefor; Mortgagor's failure to pay or to have paid any such charges shall at LFUCG's election constitute a default hereunder. Or, at LFUCG's sole option in the event of delinquency, LFUCG may pay such delinquent taxes, assessments, and charges, including any penalties or interest thereon (of which payment, amount and validity thereof, the receipt of the proper officer shall be conclusive evidence) and any amount so paid by LFUCG shall become immediately due and payable by Mortgagor, shall be

secured by this Mortgage and shall bear interest from date of advance until paid at an annual rate equal to twelve percent percent (12%).

3. Mortgagor hereby assigns to LFUCG all leases and rents, revenues, issues and profits of the Premises (whether or not payable under a lease) as further security for the payment of all amounts by Mortgagor and performance of all Mortgagor's obligations under the Mortgage Loan Documents, and grants LFUCG the right to enter on the Premises for the purpose of collecting same, and to promote, manage and/or operate the Premises or any part thereof in such manner as LFUCG may elect, and to apply the revenues received therefrom, after payment of all necessary charges and expenses, to the obligations secured by this Mortgage, upon Mortgagor's default under any covenants, conditions, or agreements contained in the Note, herein or in any other Mortgage Loan Document. While this is a present assignment, LFUCG will not exercise its rights hereunder unless and until Mortgagor shall be in default hereunder or Mortgagor shall be in default under any other Mortgage Loan Document. Mortgagor shall, and hereby agrees that it will, indemnify LFUCG, its officers, agents and employees for and hold each of them harmless from any and all claims and demands whatsoever which may be asserted against LFUCG, its officers, agents or employees by reason of any actual or alleged undertakings or obligations on LFUCG's part to perform or discharge any terms, covenants or agreements relative to use or occupancy of the Premises or any part thereof or for waste committed or permitted on the Premises, or by reason of any actual or allegedly dangerous or defective condition or conditions of the Premises resulting in loss or injury to any lessee or to any other person, including LFUCG's reasonable costs and attorney's fees incurred by reason of any of the foregoing. Provided, that said obligation to indemnify LFUCG shall not apply to any loss, injury or damage caused by the gross negligence or willful misconduct of LFUCG, its officers, agents or employees.

4. Mortgagor, at its own expense will maintain with admitted insurers authorized to do business in the Commonwealth of Kentucky against claims for bodily injury, personal injury, death or property damage occurring on, in or about the Premises or as a result of ownership of the improvements located on the Premises in amounts not less than as set forth in the Mortgage Loan Agreement. Mortgagor further covenants to keep the improvements now existing or hereafter erected on or in the Premises insured against loss or damage by, or abatement of rental income, resulting from fire and "all risk" perils. Mortgagor covenants to maintain flood insurance as required by the Flood Disaster Protection Act of 1973, as amended and any additional flood insurance required by LFUCG. All perils insured, with the exception of flood, shall be in an amount not less than the full replacement value of the property. Mortgagor agrees to promptly pay or have paid when due all premiums on such insurance and further agrees, if requested by LFUCG, to furnish a certificate from the company carrying such insurance acknowledging that such insurance is adequate in an amount to prevent the operation of any coinsurance provision contained therein. All such insurance shall be carried by companies approved by LFUCG in its reasonable discretion and, the policies and renewals thereof shall be deposited with and held by LFUCG. All policies of insurance required to be maintained by Mortgagor pursuant to this paragraph 4 shall name as the insured parties Mortgagor and LFUCG, shall be reasonably satisfactory to LFUCG and shall: (a) provide for the benefit of such holder or holders, that thirty (30) days' prior written notice of suspension, cancellation, termination, modification, non renewal or lapse or material change of coverage shall be given to all insured parties and that such insurance shall be given to all insured parties and that such insurance shall

not be invalidated by any act or neglect of Mortgagor or LFUCG or any owner of the Premises, nor by any foreclosure or other proceedings or notices thereof relating to the Premises or any interest therein, nor by occupation of the Premises for purposes more hazardous than are permitted by such policy and (b) not contain a provision relieving the insurer thereunder of liability for any loss by reason of the existence of other policies of insurance covering the Premises against the peril involved, whether collectible or not.

The originals of all such policies shall be delivered to LFUCG. In the event of Mortgagor's failure to comply with any of the requirements of this paragraph, same shall at LFUCG's option constitute a default hereunder. Or, LFUCG may, in its discretion, obtain any insurance required hereunder and pay the premiums due therefor, and any amounts so paid by LFUCG shall become immediately due and payable by Mortgagor with interest thereon at the rate specified in numerical paragraph (2) hereof until paid, and same shall be secured by this Mortgage.

In the event of any loss or damage to the Premises or any portion thereof, Mortgagor will give immediate notice thereof to LFUCG, and LFUCG may thereupon make proof of claim relative to such loss or damage, if same is not promptly made by Mortgagor. Mortgagor hereby authorizes LFUCG (should LFUCG so elect) to settle, adjust, or compromise any claims for loss, damage, or destruction under any such policy or policies of insurance and collect the proceeds thereof, and to this end hereby grants LFUCG the Mortgagor's power of attorney for such purposes (which power of attorney is a power coupled with an interest, same being irrevocable for the term of this Mortgage); provided, that LFUCG will exercise its rights under this sentence only in the event Mortgagor is in default on the Mortgage Loan or under the Mortgage Loan Documents. All such proceeds of fire and extended coverage insurance, to the full extent of the Mortgage Loan, are hereby assigned to LFUCG and shall be payable to LFUCG if LFUCG should so elect, and Mortgagor hereby authorizes and directs any affected insurance company to make payment thereof directly to LFUCG. All such insurance proceeds or any portion thereof shall be applied in whole or in part to restoration, repair, replacement, or rebuilding of the Premises. The delivery to LFUCG of any such policies or certificates of insurance, or renewals thereof, shall constitute an assignment to LFUCG of all unearned premiums thereon as further security for the payment of the Mortgage Loan. In the event of foreclosure of this Mortgage or other transfer of title to the Premises in extinguishment of the, Mortgage Loan, all right, title and interest of Mortgagor in and to any insurance policies then in force shall pass to LFUCG.

5. Mortgagor will have maintained or will maintain the Premises in good condition and repair and will not commit or allow any waste or destruction, reasonable wear and tear excepted. Mortgagor will comply with, or cause to be complied with, any applicable statutes, ordinances, regulations, or requirement of any governmental authority relative to the Premises and the use and maintenance thereof, and will promptly repair, restore, replace, or rebuild any part of the Premises now or hereafter subject to the lien of this Mortgage which may be damaged or destroyed by any casualty or as the result of any proceeding referred to in paragraph (7) hereof. No buildings, structures, or improvements hereafter erected on the Premises shall be removed, demolished, or substantially or structurally altered in any respect by Mortgagor, on Mortgagor's behalf, or by any tenant or by any other party without the prior written consent of LFUCG by its duly authorized officer, LFUCG, and any person authorized by LFUCG, may enter upon and inspect the Premises at all reasonable times.



6. Except for a mortgage granted by Mortgagor in favor of the Kentucky Housing Corporation and assigned to Wilmington Trust, National Association ("Bank") in the amount of \$12,802,000.00 ("Senior Mortgage"), which Senior Mortgage is superior to the within Mortgage, (the "Permitted Encumbrance"), Mortgagor will not create, suffer or allow any charge, lien or encumbrance (whether superior or inferior to the lien of this Mortgage) upon the Premises or any part thereof, leases as have been approved by LFUCG and the lien of general and special taxes duly levied and assessed but not yet -due and payable, without prior written consent of LFUCG by its duly authorized officer. Mortgagor will pay or will have paid promptly when due any charges for utilities or services including but not limited to electricity, gas and water; should Mortgagor or any tenant fail to pay such charges, LFUCG may pay the same, and any amount so paid by LFUCG shall become immediately due and payable by Mortgagor with interest at the rate specified in numerical paragraph (2) hereof until paid, and same shall be secured by this Mortgage.

The parties hereto acknowledge and agree that PNC Bank, National Association (the "Bridge Lender") has made a bridge loan to the Mortgagor (the "Bridge Loan") and the Bridge Lender holds a conditionally first priority security interest in limited partner capital contributions and first priority and exclusive security interest in limited partner partnership interests pursuant to the terms of the Bridge Loan documents and the Mortgagor's Amended and Restated Agreement of Limited Partnership. The Bridge Loan is part of the Permitted Encumbrances.

7. If all or any part of the Premises are damaged, taken, or acquired, either temporarily or permanently, in any condemnation proceeding, or by exercise of the right of eminent domain, or by the alteration of the grade of any street affecting the Premises, the amount of any award or other payment for such taking or damages made in consideration thereof, to the extent of the full amount of the Mortgage Loan then remaining unpaid, is hereby assigned by Mortgagor to LFUCG, who may collect and receive the same and give proper receipts therefor in the name of Mortgagor, and the same shall be paid forthwith to LFUCG. To such end, Mortgagor hereby grants to LFUCG the Mortgagor's power of attorney (which power of attorney is a power coupled with an interest and shall be irrevocable for the term of this Mortgage). Any award or payment so received by LFUCG during the continuation of any default or threatened default may, at the sole option of LFUCG, be retained and applied, in whole or in part, to the Mortgage Loan (whether or not then due and payable), in such manner as LFUCG may determine and/or released, in whole or in part, to Mortgagor for the purpose of altering, restoring, or rebuilding any part of the Premises which may have been affected by such taking, alteration, or proceeding. Provided that absent the continuation of default or threatened default LFUCG will release said sums to Mortgagor, to be applied to restoration of the Premises. LFUCG shall not be obligated to see to the application of any amounts so released to Mortgagor. In the event of a material and adverse effect upon the value of the Premises by reason of any such damage, taking or acquisition, and should the proceeds or award payable therefor not satisfy in full the Mortgage Loan, same shall constitute an event of default hereunder and on the Mortgage Loan and Note.

8. If LFUCG shall incur or expend any sums, including reasonable attorneys' fees, to sustain the lien of this Mortgage or its priority, or to protect or enforce any of LFUCG's rights hereunder or under any other Mortgage Loan Document, to protect the Premises as collateral for the Mortgage Loan, or to recover any portion of the Mortgage Loan, all such sums shall become immediately due and payable by Mortgagor with interest thereon at the rate specified in numerical paragraph (2) hereof until paid. All such sums shall be secured by this Mortgage and

shall be a lien on the Premises prior to any right, title, interest, or claim, in, to or upon the Premises attaching or accruing subsequent to the lien of this Mortgage.

9. Mortgagor will not hereafter lease the Premises, except leases executed in Mortgagor's ordinary course of business, nor will Mortgagor assign, alter, terminate or otherwise materially modify the terms of any lease affecting the Premises to which Mortgagor is a party, nor further encumber or assign (in whole or in part) the rents, revenues, income, or profits arising from the Premises or any portion thereof (except in connection with the Permitted Encumbrances) without the prior written consent of LFUCG by its duly authorized officer, or in any other manner impair the value of the Premises or the security of this Mortgage for the payment of the Mortgage Loan

10. Mortgagor will observe and perform all covenants, conditions, and agreements imposed on it by any lease or leases now or hereafter affecting the Premises, or any portion thereof. If Mortgagor shall default in its performance of any of the terms, covenants, conditions, or obligations imposed upon it by any such lease or leases, which default would give the other party or parties thereto the right to terminate or cancel said lease or leases and if same may have a material adverse effect on the value of the Premises as security or the Mortgage Loan then, at the sole option of LFUCG, the entire Mortgage Loan shall become immediately payable and collectible by foreclosure or otherwise, without notice or demand. Provided, that in the event of any such default by Mortgagor (whether as lessor, lessee, sub lessee or otherwise), LFUCG shall have the right but not the obligation to cure any such default of Mortgagor, in such manner and to the extent LFUCG may deem advisable to protect its interest in the Premises. In the event that LFUCG should so elect, then any and all sums so expended by LFUCG relative to effecting any such cure shall become immediately due and owing LFUCG by Mortgagor, shall be secured hereby and shall bear interest at the rate specified in numerical paragraph (2) hereof until paid.

11. With respect to the Premises and the operation and promotion thereof, Mortgagor will keep or will cause to be kept proper books of record and account in accordance with generally accepted accounting principles consistently applied. LFUCG shall have the right to examine said books of record and account at such reasonable times and intervals as LFUCG may elect.

12. In the event that LFUCG (a), grants any extension of time or forbearance for payment of any portion of the Mortgage Loan ; (b) takes, or realizes, other additional security for the payment thereof, (c) waives or does not exercise any right granted herein, under the Note or under any other Mortgage Loan Document; (d) grants any release, with or without consideration, of all or any part of the security held for the payment of the Mortgage Loan ; (e) amends or modifies in any respect with the consent of Mortgagor any of the terms and provisions hereof or of the Note; then and in any such event, such act or failure to act shall not release Mortgagor or (if applicable) any of its principals or any co-maker, sureties, or guarantors of this Mortgage or of the Note, under any covenant of this Mortgage, the Note or other Mortgage Loan Documents nor preclude LFUCG from exercising any right or privilege herein or therein granted or intended to be granted in the event of any other existing or subsequent default and without in any manner impairing or affecting the lien or priority of this Mortgage.

13. Mortgagor will not hereafter make or permit, without the prior written consent of LFUCG by its duly authorized officer (a) any sale of the Premises, or the execution of any contract for deed relative to the Premises, or any assumption of the Mortgage Loan , any condominium

conversion or any use of the Premises or any part thereof for any purpose other than that presently contemplated by the parties hereto; (b) after completion of the renovations contemplated by the Plans and Specifications, any material alteration, removal or demolition of any buildings, improvements, fixtures, apparatus, machinery, and equipment now or hereafter located or erected upon the Premises except in the ordinary course of business; (c) any purchase or conditional sale, lease or agreement under which title is reserved in the vendor of any fixtures, apparatus, machinery, equipment or personal property in or upon any of the buildings or improvements comprising a part of the Premises; (d) except in connection with the Permitted Encumbrances, any assignment of the revenues, rents, income or profits from the Premises; (e) except for the Permitted Encumbrances, any mortgage, lien or encumbrance upon the Premises, or any part thereof (whether prior or inferior to the lien of this Mortgage) affecting or adverse to the lien hereof, general and special taxes duly levied and assessed and not yet due and payable and any lease now or hereafter affecting any portion of the Premises. Any of the foregoing without LFUCG's prior written consent shall be and constitute a default by Mortgagor on this Mortgage and on the Mortgage Loan .

14. In the event of Mortgagor's default in the performance of any of the covenants and conditions contained in this Mortgage or in the event of Mortgagor's default in payment of the Mortgage Loan or any part thereof, or in the Note or under any other Mortgage Loan Document and (absent an express contrary grace or curative period) shall such failure, omission or default not have been fully corrected by Mortgagor, as applicable, to the complete satisfaction of LFUCG within thirty (30) days after LFUCG gives Mortgagor and Mortgagor's limited partners , written notice of the occurrence of any such default, at the address set forth in Section 7.1 of the Loan Agreement; or any of them and shall such default remain uncured beyond any applicable grace or curative period; or in the event any representation or warranty of the Mortgagor herein contained, or in the event any representation or warranty of the Mortgagor contained in any other Mortgage Loan Document shall prove to be untrue or misleading in any material respect; or in the event of any petition in bankruptcy, receivership, or reorganization filed by or against Mortgagor and shall same not be vacated within sixty (60) days), any assignment or composition for the benefit of creditors made or entered into by Mortgagor, or in the event of any judgment or proceeding entered or brought against Mortgagor or the Premises or to foreclose any lien thereon or on any part thereof; or in the event of a substantial adverse change in financial position of Mortgagor; or in the event of an unauthorized encumbrance or change in ownership of the Premises or of any other security for the Mortgage Loan ; or if in the opinion of LFUCG there is any material decline in the value of the Premises or any other security for the Mortgage Loan ; or should Mortgagor default on any other indebtedness now or hereafter owing LFUCG by Mortgagor beyond any applicable grace or curative period; then, and in such event, at LFUCG's sole option, without further notice or demand, the same being hereby expressly waived by Mortgagor as evidenced by Mortgagor's execution of this Mortgage, the Mortgage Loan shall become due, payable and collectible. Upon the happening of any such event (hereinafter an "Event of Default"), in addition to any other right of remedy which LFUCG may now or hereafter have at law or in equity, and not by way of limitation, LFUCG shall have the right and power to exercise any or all or any combination of the following remedies: (a) to declare the Mortgage Loan due and payable (and same shall thereupon be due and payable and to foreclose upon this Mortgage and the lien hereof; (b) to sell the Premises according to law as an entirety or in separate parcels; (c) to apply without notice (same being hereby expressly waived by Mortgagor) for the appointment of a receiver to collect the revenues and profits of the Premises

and to preserve the security hereof as a matter of right, either before or after any foreclosure sale, without regard to the value of the Premises or any other property as security for the amount due LFUCG, or the solvency of any entity liable for the payment of such amounts; (d) to enter upon and take possession of the Premises without application to any court, with the irrevocable consent of Mortgagor as evidenced by Mortgagor's execution of this Mortgage, and collect the revenues, issues and profits thereof, and, without the appointment of any receiver or application being made therefor, to manage, promote and/or operate the Premises, either in LFUCG's name or Mortgagor's name, by whatever means LFUCG may elect, and receive all the revenues, issues and profits therefrom, and apply the same, after payment of all necessary charges and expenses deemed by LFUCG to be necessary, to payment of the Mortgage Loan . All the foregoing rights and powers are effective and may be enforced by LFUCG either in conjunction with or without any action to foreclose this Mortgage, and without applying at any time for a receiver for the Premises. The foregoing rights and remedies are independent of and in addition to any statutory right to appointment of a receiver. Written notices required by the foregoing paragraph shall be sent by certified mail to the addresses provided in the Mortgage Loan Agreement.

15. Any sale under this Mortgage shall operate to divest all right, title and interest of Mortgagor in and to the Premises and rights so sold; shall be a perpetual bar both in law and equity against the Mortgagor; and shall be in bar of any equity or right of redemption, the same being expressly waived by Mortgagor.

16. Mortgagor represents and warrants, to its knowledge and belief, that no hazardous substances are present on the Premises. Furthermore, Mortgagor represents, warrants, and agrees that Mortgagor will not use, generate, treat, store, dispose of or otherwise introduce any such hazardous substances into or on the Premises. Mortgagor represents, warrants and agrees that there is no current and will be no future unlawful physical (including environmental, natural, artificial, structural or chemical) hazard or potential hazard (including, without limitation, the presence, accumulation or storage of any toxin, toxic waste, toxic affluent or discharge) or condition in or on or affecting the Premises or affecting the health of any person in or on the Premises. The Mortgagor shall pay immediately when due the cost of removal of any such wastes or substances, and shall keep the Premises free of any lien imposed pursuant to laws, rules, regulations and orders pertaining to hazardous wastes or substances and the removal thereof; in the event Mortgagor fails to do so, it shall be deemed an Event of Default. The Mortgagor shall indemnify LFUCG and hold LFUCG harmless from and against all loss, cost, damage and expense (including, without limitation, attorneys' fees and cost incurred in the investigation, defense and/or settlement of claims) that LFUCG may incur as a result of or in connection with the assertion against LFUCG of any claim relating to the presence or removal of any hazardous waste or substance referred to in this paragraph, or compliance with any federal, state or local laws, rules, regulations or orders relating thereto. The obligations of Mortgagor under this paragraph to indemnify LFUCG and hold LFUCG harmless shall survive payment of the Mortgage Loan and Note and shall survive release of this Mortgage and shall extend to the representatives, successors and assigns of LFUCG.

17. Whenever used in this Mortgage, unless the context shall otherwise clearly require, the term "Mortgagor" shall include the heirs, representatives, successors and assigns, as the case may be, of Mortgagor and all persons claiming by, through, or under Mortgagor; the term "Mortgagor" shall include the successors and assigns, as the case may be, of Mortgagor and all persons claiming by, through, or under Mortgagor; the term "person" shall include any

individual, partnership, corporation, trustee, or unincorporated association. The singular shall include the plural and the plural, the singular; the gender used shall include the other genders. The invalidity or unenforceability of any one (1) or more phrases, sentences, clauses or paragraphs of this Mortgage shall not affect the validity or enforceability of the remaining portions of this Mortgage or of any part hereof. If this Mortgage is invalid or unenforceable as to any part of the Mortgage Loan , or if this Mortgage is invalid or unenforceable as to any part of the Premises, the unsecured or partially unsecured portion of the Mortgage Loan shall be completely paid prior to the payment of the remaining secured or partially secured portion of the Mortgage Loan ; and all payments made on the Mortgage Loan , whether voluntary or under foreclosure or other enforcement action or procedure, shall be considered to have been first paid on and applied to the full payment of that portion of the Mortgage Loan which is riot secured or fully secured by this Mortgage.

18. All the terms, covenants, conditions and agreements herein set forth shall be binding upon and inure to the benefit of the respective heirs, executors, administrators, attorneys, representatives, successors and assigns, as the case may be, of the parties hereto.

19. No delay or omission on the part of LFUCG in exercising any right or remedy hereunder or under any other Mortgage Loan Documents shall operate as a waiver of such right or remedy or any other right or remedy. A waiver by LFUCG on any one occasion shall not be a bar to or waiver of any right or remedy on any further occasion. The rights and remedies provided herein and in the other Mortgage Loan Documents are cumulative, and LFUCG may resort to any other right or remedy or any combination thereof available under the other Mortgage Loan Documents or at law or in equity without first exhausting and without affecting or impairing the security of or any right or remedy afforded by this Mortgage. No waiver shall be effective as to LFUCG unless same shall be in writing by its duly authorized officer; any such waiver shall be construed strictly according to its terms.

20. If Mortgagor shall pay to LFUCG all sums due LFUCG under the Note and the interest thereon, in the manner and at the times mentioned in the Note, or otherwise in connection with the Mortgage Loan , and Mortgagor shall pay LFUCG any and all other sums due from Mortgagor to LFUCG under this Mortgage and shall fully keep and perform the terms, covenants, conditions and agreements under this Mortgage or otherwise due LFUCG relative to the Mortgage Loan , then this Mortgage and the estate granted thereby shall cease and be void, and this Mortgage shall thereupon be released by LFUCG at the cost and expense of Mortgagor.

This Mortgage may be executed by the parties in any number of counterparts, each of which shall be an original, but such counterparts together shall constitute one and the same instrument.

This Mortgage is taken, in part, to secure a Mortgage Loan made for the purpose of erecting, improving or adding to a building.

IN TESTIMONY WHEREOF, LFUCG and the Mortgagor have caused this instrument to be executed by LFUCG and the Mortgagor's duly authorized officers this day and date first hereinabove appearing.

**LRC – DOWNING PLACE, LP**, a Kentucky limited partnership

By: LRC – Downing Place GP, LLC, a Kentucky limited liability company, its General Partner

By: LRC GP, LLC, a Delaware limited liability company, its sole Member

By: LEDIC Realty Company, LLC, a Delaware limited liability company, its sole Member

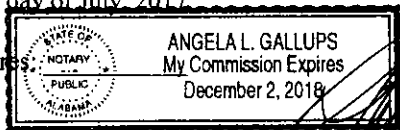
By: \_\_\_\_\_  
Name: W. Daniel H. Jr.  
Title: Chairman

STATE OF ALABAMA )  
 )  
COUNTY OF Montgomery )

I, Angela Gallups, a notary public in and for said County in said State, hereby certify that W. Daniel H. Jr. whose name as Chairman of LRC – Downing Place GP, LLC, by LRC GP, LLC, by LEDIC Realty Company, LLC, a Delaware limited liability company, is signed to the foregoing Agreement, and who is known to me, acknowledged before me on this day that, being informed of the contents of said Agreement, he, as such officer and with full authority, executed the same voluntarily for and as the act of said company.

Given under my hand this 10<sup>th</sup> day of July, 2017.

My commission expires \_\_\_\_\_



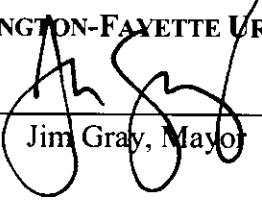
\_\_\_\_\_  
Notary Public

THIS INSTRUMENT PREPARED BY:

\_\_\_\_\_  
Melissa Moore Murphy, Esq.  
Attorney Senior  
Lexington-Fayette Urban County Government  
200 East Main Street  
Lexington, Kentucky 40507  
(859) 258-3500

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT

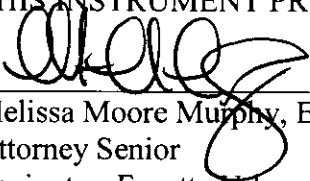
By: \_\_\_\_\_

  
Jim Gray, Mayor

ATTEST:

  
Clerk, Urban County Council

THIS INSTRUMENT PREPARED BY:

  
Melissa Moore Murphy, Esq.  
Attorney Senior  
Lexington-Fayette Urban County Government  
200 East Main Street  
Lexington, Kentucky 40507  
(859) 258-3500

## EXHIBIT A

The Property being all of ...

Beginning at a point in the South right of way line of Spangler Drive, said point being a corner to Tramontine & Hillmeyer; thence with the line of Tramontine & Hillmeyer for two calls, South 21° 57' West, 61.87 feet and South 26° 13' West, 458.21 feet to a point, a corner to Flynn; thence with the line of Flynn for three calls, North 54° 22' West, 397.58, North 13° 50' West 496.40 feet, and North 42° 18' West, 294.36 feet to a point in the line of Arnold; thence with the line of Arnold, North 30° 49'; East 579.89 feet to a point in the South right of way line of Laredo Drive; thence with the South right of way line of Laredo Drive for two calls, South 59° 13' East, 228.75 feet and South 64° 56' East, 148.70 feet to a point in the West right of way line of Spangler Drive; thence with the West and South right of way line of Spangler Drive for two calls, along a 10.4009 degree curve to the left 582.27 feet and South 37° 00' East, 286.67 feet to the point of beginning, containing 14.214 acres, more or less. Being all of Lot 1, Downing Place, Unit 1-C, plat of which is of record in Plat Cabinet D, Slide 126, in the office of the Clerk of Fayette County, Kentucky.

Property is also described as:

All that tract or parcel of land lying and being the same property acquired by LRC – Downing Place, LP, a Kentucky limited partnership in Book 3480, Page 96 of Fayette County Records, and being more particularly described as follows:

Beginning at a set 5/8" x 30" Rebar with a yellow cap stamped "R Davis KY PS 3704", in the South right of way line of Spangler Drive (60' ROW), said point being a corner to Vernon W. Griggs & Ruby Griggs (Vol 2408, Pg 623); thence running S 23°11'34" W a distance of 61.49 feet to a set 5/8" x 30" Rebar with a yellow cap stamped "R Davis KY PS 3704"; thence continuing S 28°17'52" W 458.21 to set 5/8" x 30" Rebar with a yellow cap stamped "R Davis KY PS 3704"; thence turning and running N 53°07'26" W 388.47 feet to a set 5/8" x 30" Rebar with a yellow cap stamped "R Davis KY PS 3704"; thence turning and running N 12°35'26" W 496.40 feet to a set 5/8" x 30" Rebar with a yellow cap stamped "R Davis KY PS 3704"; thence turning and running N 41°03'26" W 294.36 feet to a 1/2" Rebar Found w/ No Cap; thence turning and running N 32°03'34" E 580.30 feet to a 1/2" Rebar Found w/ No Cap on the South right-of-way of Laredo Drive (60' ROW); thence turning and running along said right-of-way S 56°57'22" E 228.69 feet to a 1/2" Rebar Found w/ No Cap; thence continuing S 62°39'23" E 146.62 feet to a 1/2" Rebar Found w/ No Cap to a point of curvature along Spangler Drive having a radius of 559.22', an arc length of



PREPARED BY AND WHEN  
RECORDED RETURN TO:  
Katten Muchin Rosenman LLP  
2900 K Street NW, Suite 200  
Washington, DC 20007  
Attention: Michael P. Murphy, Esq.

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Freddie Mac Loan Number: 932800467  
Property Name: Downing Place Townhomes

## SUBORDINATION AGREEMENT

### GOVERNMENTAL ENTITY

(Direct Purchase of Tax-Exempt Loans)  
(Revised 9/1/2014)

THIS SUBORDINATION AGREEMENT (“**Agreement**”) is entered into this 1st day of July, 2017, by and between **WILMINGTON TRUST, NATIONAL ASSOCIATION**, a national banking association (“**Senior Mortgagee**”), and the **LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**, an urban county government created pursuant to KRS Chapter 67A (“**Subordinate Mortgagee**”).

### RECITALS

- A. LRC – Downing Place, LP, a limited partnership organized under the laws of the Commonwealth of Kentucky (“**Borrower**”) is the owner of certain land located in Fayette County, Kentucky, described in Exhibit A (“**Land**”). The Land is improved with a multifamily rental housing project (“**Improvements**”).
- B. Kentucky Housing Corporation (“**Governmental Lender**”), the original holder of the Senior Note, has made a loan to Borrower in the original principal amount of \$12,802,000 (“**Senior Loan**”) upon the terms and conditions of a Project Loan Agreement dated as of July 1, 2017 (“**Senior Loan Agreement**”) among Governmental Lender, Senior Mortgagee (in its capacity as Fiscal Agent under the Funding Loan Agreement (defined below)) and Borrower in connection with the Mortgaged Property. The Senior Loan is secured by a Multifamily Open-End Mortgage, Assignment of Rents, Security Agreement and Fixture Financing Statement dated as of July 1, 2017 (“**Senior Mortgage**”) encumbering the Land, the Improvements and related personal and other property described and defined in the Senior Mortgage as the “**Mortgaged Property**.”
- C. Pursuant to a Loan Agreement dated July 20, 2017 between Subordinate Mortgagee and Borrower (“**Subordinate Loan Agreement**”), Subordinate Mortgagee has made or is

making (i) a loan to Borrower in the original principal amount of \$300,000 (“**Subordinate Mortgage Loan**”) and (ii) a second loan to Borrower in the original principal amount of \$300,000 (“**Subordinate Deferred Loan**” and together with the Subordinate Mortgage Loan, the “**Subordinate Loan**”). The Subordinate Mortgage Loan is or will be secured by a Mortgage dated July 20, 2017 (“**Subordinate Mortgage**”) encumbering all or a portion of the Mortgaged Property.

- D. The Senior Mortgage will be recorded in the Fayette County Clerk’s Office (“**Recording Office**”) prior to recordation of this Agreement. The Subordinate Mortgage will be recorded in the Recording Office in Mortgage Book \_\_\_\_\_, page \_\_\_\_ following the recording of the Senior Mortgage.
- E. The Senior Note has been assigned by the Governmental Lender to Senior Mortgagee as security for the loan made by the Funding Lender to the Governmental Lender pursuant to the Funding Loan Agreement (the “**Funding Loan**”). The Senior Mortgage has been assigned by the Governmental Lender to Senior Mortgagee as security for the Funding Loan pursuant to an Assignment of Security Instrument dated as of the date hereof to be recorded in the Recording Office contemporaneously herewith.
- F. Pursuant to Section 17(c) of the Senior Mortgage and Section 6.03 of the Funding Loan Agreement dated as of July 1, 2017 among Funding Lender, Governmental Lender and Senior Mortgagee (the “**Funding Loan Agreement**”), the Funding Lender has the right to direct all actions of the Senior Mortgagee with respect to the Senior Mortgage, the Mortgaged Property and the Senior Loan Agreement.
- G. The execution and delivery of this Agreement is a condition of Funding Lender’s consenting to Subordinate Mortgagee’s making of the Subordinate Loan and Borrower’s granting of the Subordinate Mortgage.

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

- 1. **Definitions.** The following terms, when used in this Agreement (including, as appropriate, when used in the above recitals), will have the following meanings.
  - (a) The terms “**Condemnation,**” “**Imposition Reserve Deposits,**” “**Impositions,**” “**Leases,**” “**Rents**” and “**Restoration,**” as well as any term used in this Agreement and not otherwise defined in this Agreement, will have the meanings given to those terms in the Continuing Covenant Agreement dated as of July 1, 2017 between Funding Lender and Borrower (“**Continuing Covenant Agreement**”).
  - (b) “**Bankruptcy Proceeding**” means any bankruptcy, reorganization, insolvency, composition, restructuring, dissolution, liquidation, receivership, assignment for the benefit of creditors, or custodianship action or proceeding under any federal or state law with respect to Borrower, any guarantor of any of the Senior Indebtedness, any of their respective properties, or any of their respective partners, members, officers, directors, or shareholders.

- (c) **“Borrower”** means all persons or entities identified as “Borrower” in the first Recital of this Agreement, together with their successors and assigns, and any other person or entity who acquires title to the Mortgaged Property after the date of this Agreement; provided that the term “Borrower” will not include Senior Mortgagee or Funding Lender if Senior Mortgagee or Funding Lender acquires title to the Mortgaged Property.
- (d) **“Casualty”** means the occurrence of damage to or loss of all or any portion of the Mortgaged Property by fire or other casualty.
- (e) **“Enforcement Action”** means any of the following actions taken by or at the direction of Subordinate Mortgagee: the acceleration of all or any part of the Subordinate Indebtedness, the advertising of or commencement of any foreclosure or trustee’s sale proceedings, the exercise of any power of sale, the acceptance of a deed or assignment in lieu of foreclosure or sale, the collecting of Rents, the obtaining of or seeking of the appointment of a receiver, the seeking of default interest, the taking of possession or control of any of the Mortgaged Property, the commencement of any suit or other legal, administrative, or arbitration proceeding based upon the Subordinate Note or any other of the Subordinate Loan Documents, the exercising of any banker’s lien or rights of set-off or recoupment, or the exercise of any other remedial action against Borrower, any other party liable for any of the Subordinate Indebtedness or obligated under any of the Subordinate Loan Documents, or the Mortgaged Property.
- (f) **“Enforcement Action Notice”** means a written Notice from Subordinate Mortgagee to Funding Lender, given following one or more Subordinate Mortgage Default(s) and the expiration of any Notice or cure periods provided for such Subordinate Mortgage Default(s) in the Subordinate Loan Documents, setting forth in reasonable detail the Subordinate Mortgage Default(s) and the Enforcement Actions proposed to be taken by Subordinate Mortgagee.
- (g) **“Funding Lender”** means Bellwether Enterprise Real Estate Capital, LLC, and any successor holder of the Governmental Note.
- (h) **“Governmental Note”** means the Multifamily Note delivered by the Governmental Lender evidencing the Funding Loan.
- (i) **“Loss Proceeds”** means all monies received or to be received under any insurance policy, from any condemning authority, or from any other source, as a result or any Condemnation or Casualty.
- (j) **“Notice”** is defined in Section 6(d).
- (k) **“Regulatory Agreement”** means the Declaration of Covenants and Restrictions between Borrower and Subordinate Mortgagee dated July 20, 2017 and to be recorded in the Recording Office of Fayette County, Kentucky.

- (l) **“Senior Indebtedness”** means the “Indebtedness” as defined in the Continuing Covenant Agreement.
- (m) **“Senior Loan Documents”** means the “Financing Documents” as defined in the Continuing Covenant Agreement.
- (n) **“Senior Mortgage Default”** means any act, failure to act, event, condition, or occurrence which constitutes, or which with the giving of Notice or the passage of time, or both, would constitute, an “Event of Default” as defined in the Continuing Covenant Agreement.
- (o) **“Senior Mortgagee”** means Wilmington Trust, National Association. When any other person or entity becomes the legal holder of the Senior Note, such other person or entity automatically will become Senior Mortgagee.
- (p) **“Senior Note”** means the Project Note as defined in the Continuing Covenant Agreement.
- (q) **“Subordinate Indebtedness”** means all sums evidenced or secured or guaranteed by, or otherwise due and payable to Subordinate Mortgagee pursuant to, the Subordinate Loan Documents.
- (r) **“Subordinate Loan Documents”** means the Subordinate Mortgage, the Subordinate Note, the Subordinate Loan Agreement, the Regulatory Agreement and all other documents at any time evidencing, securing, guaranteeing, or otherwise delivered in connection with the Subordinate Indebtedness, as the same may be amended.
- (s) **“Subordinate Mortgage Default”** means any act, failure to act, event, condition, or occurrence which allows (but for any contrary provision of this Agreement), or which with the giving of Notice or the passage of time, or both, would allow (but for any contrary provision of this Agreement), Subordinate Mortgagee to take an Enforcement Action.
- (t) **“Subordinate Mortgagee”** means the person or entity named as such in the first paragraph of this Agreement and any other person or entity who becomes the legal holder of the Subordinate Note after the date of this Agreement.
- (u) **“Subordinate Note”** means, collectively, the promissory notes or other evidence of the Subordinate Indebtedness referred to in the Subordinate Loan Agreement and any replacement of the Subordinate Note.
- (v) **“Surplus Cash”** means, with respect to any period, any revenues of Borrower remaining after paying, or setting aside funds for paying, all of the following:
  - (i) All sums due or currently required to be paid under the Senior Loan Documents, including any Imposition Reserve Deposits.

- (ii) All deposits to any replacement reserve, completion/repair reserve or other reserve or escrow required by the Senior Loan Documents that are due or currently payable.
- (iii) All reasonable operating expenses of the Mortgaged Property, including real estate taxes, insurance premiums, utilities, building maintenance, painting and repairs, management fees, payroll, administrative expenses, legal expenses and audit expenses (excluding any developer fees payable with respect to the Mortgaged Property).

**2. Subordination of Subordinate Indebtedness.**

- (a) The Subordinate Indebtedness is and will at all times continue to be subject and subordinate in right of payment to the prior payment in full of the Senior Indebtedness.
- (b) Until the occurrence of a Senior Mortgage Default, Subordinate Mortgagee will be entitled to retain for its own account all payments made on account of the principal of and interest on the Subordinate Indebtedness in accordance with the requirements of the Subordinate Loan Documents; provided no such payment is made more than 10 days in advance of its due date and provided further that no such payment exceeds 75% of then available Surplus Cash. However, immediately upon Subordinate Mortgagee's receipt of Notice or actual knowledge of a Senior Mortgage Default, Subordinate Mortgagee will not accept any payments on account of the Subordinate Indebtedness, and the provisions of Section 2(c) of this Agreement will apply. Subordinate Mortgagee acknowledges that a Subordinate Mortgage Default constitutes a Senior Mortgage Default. Accordingly, upon the occurrence of a Subordinate Mortgage Default, Subordinate Mortgagee will be deemed to have actual knowledge of a Senior Mortgage Default.
- (c) If (i) Subordinate Mortgagee receives any payment, property, or asset of any kind or in any form on account of the Subordinate Indebtedness (including any proceeds from any Enforcement Action) after a Senior Mortgage Default of which Subordinate Mortgagee has actual knowledge (or is deemed to have actual knowledge as provided in 2(b) above) or has been given Notice, or (ii) Subordinate Mortgagee receives, voluntarily or involuntarily, by operation of law or otherwise, any payment, property, or asset in or in connection with any Bankruptcy Proceeding, such payment, property, or asset will be received and held in trust for Funding Lender. Subordinate Mortgagee will promptly remit, in kind and properly endorsed as necessary, all such payments, properties, and assets to Funding Lender. Funding Lender will apply any payment, asset, or property so received from Subordinate Mortgagee to the Senior Indebtedness in such order, amount (with respect to any asset or property other than immediately available funds), and manner as Funding Lender determines in its sole and absolute discretion.

- (d) Without limiting the complete subordination of the Subordinate Indebtedness to the payment in full of the Senior Indebtedness, in any Bankruptcy Proceeding, upon any payment or distribution (whether in cash, property, securities, or otherwise) to creditors (i) the Senior Indebtedness will first be paid in full in cash before Subordinate Mortgagee will be entitled to receive any payment or other distribution on account of or in respect of the Subordinate Indebtedness, and (ii) until all of the Senior Indebtedness is paid in full in cash, any payment or distribution to which Subordinate Mortgagee would be entitled but for this Agreement (whether in cash, property, or other assets) will be made to Funding Lender.
- (e) The subordination of the Subordinate Indebtedness will continue if any payment under the Senior Loan Documents (whether by or on behalf of Borrower, as proceeds of security or enforcement of any right of set-off or otherwise) is for any reason repaid or returned to Borrower or its insolvent estate, or avoided, set aside or required to be paid to Borrower, a trustee, receiver or other similar party under any bankruptcy, insolvency, receivership or similar law. In such event, any or all of the Senior Indebtedness originally intended to be satisfied will be deemed to be reinstated and outstanding to the extent of any repayment, return, or other action, as if such payment on account of the Senior Indebtedness had not been made.
- (f) In addition to the limitations set forth above, Subordinate Mortgagee agrees that the Subordinate Indebtedness will be payable solely from not more than 75% of Surplus Cash while the Senior Indebtedness remains outstanding.

**3. Subordination of Subordinate Loan Documents.**

- (a) Each of the Subordinate Loan Documents is, and will at all times remain, subject and subordinate in all respects to the liens, terms, covenants, conditions, operations, and effects of each of the Senior Loan Documents.
- (b) The subordination of the Subordinate Loan Documents and of the Subordinate Indebtedness will apply and continue notwithstanding (i) the actual date and time of execution, delivery, recording, filing or perfection of each of the Senior Loan Documents and of each of the Subordinate Loan Documents, and (ii) the availability of any collateral to Senior Mortgagee or Funding Lender, including the availability of any collateral other than the Mortgaged Property.
- (c) By reason of, and without in any way limiting, the full subordination of the Subordinate Indebtedness and the Subordinate Loan Documents provided for in this Agreement, all rights and claims of Subordinate Mortgagee under the Subordinate Loan Documents in or to all or any portion of the Mortgaged Property are expressly subject and subordinate in all respects to the rights and claims of Senior Mortgagee or Funding Lender under the Senior Loan Documents in or to the Mortgaged Property.

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

#### **4. Additional Representations and Covenants.**

- (a) Subordinate Mortgagee represents and warrants that each of the following is true:
  - (i) Subordinate Mortgagee is now the owner and holder of the Subordinate Loan Documents.
  - (ii) The Subordinate Loan Documents are now in full force and effect.
  - (iii) The Subordinate Loan Documents have not been modified or amended.
  - (iv) No Subordinate Mortgage Default has occurred.
  - (v) The current unpaid principal balance of the Subordinate Indebtedness is \$540,000.
  - (vi) No scheduled monthly payments under the Subordinate Note have been or will be prepaid.
  - (vii) None of the rights of Subordinate Mortgagee under any of the Subordinate Loan Documents are subject to the rights of any third parties, by way of subrogation, indemnification or otherwise.
- (b) Without the prior written consent of Funding Lender in each instance, Subordinate Mortgagee will not do any of the following:
  - (i) Amend, modify, waive, extend, renew, or replace any provision of any of the Subordinate Loan Documents.
  - (ii) Pledge, assign, transfer, convey, or sell any interest in the Subordinate Indebtedness or any of the Subordinate Loan Documents.
  - (iii) Accept any payment on account of the Subordinate Indebtedness other than a regularly scheduled payment of interest or principal and interest made not earlier than 10 days prior to its due date, or as expressly authorized in Section 4(i) below and not in excess of 75% of then available Surplus Cash.
  - (iv) Take any action which has the effect of increasing the Subordinate Indebtedness.

- (v) Appear in, defend or bring any action to protect Subordinate Mortgagee's interest in the Mortgaged Property.
  - (vi) Take any action concerning environmental matters affecting the Mortgaged Property.
- (c) Subordinate Mortgagee will deliver to Funding Lender a copy of each Notice received or delivered by Subordinate Mortgagee pursuant to the Subordinate Loan Documents or in connection with the Subordinate Indebtedness, simultaneously with Subordinate Mortgagee's delivery or receipt of such Notice. Funding Lender will deliver to Subordinate Mortgagee in the manner required in Section 5(b) a copy of each Notice of a Senior Mortgage Default delivered to Borrower by Funding Lender. Neither giving nor failing to give a Notice to Funding Lender or Subordinate Mortgagee pursuant to this Section 4(c) will affect the validity of any Notice given by Funding Lender or Subordinate Mortgagee to Borrower, as between Borrower and such of Funding Lender or Subordinate Mortgagee as provided the Notice to Borrower.
- (d) Without the prior written consent of Funding Lender in each instance, Subordinate Mortgagee will not commence, or join with any other creditor in commencing, any Bankruptcy Proceeding. In the event of a Bankruptcy Proceeding, Subordinate Mortgagee will not vote affirmatively in favor of any plan of reorganization or liquidation unless Funding Lender has also voted affirmatively in favor of such plan. In the event of any Bankruptcy Proceeding, Subordinate Mortgagee will not contest the continued accrual of interest on the Senior Indebtedness, in accordance with and at the rates specified in the Senior Loan Documents, both for periods before and for periods after the commencement of such Bankruptcy Proceedings.
- (e) Whenever the Subordinate Loan Documents give Subordinate Mortgagee approval or consent rights with respect to any matter, and a right of approval or consent with regard to the same or substantially the same matter is also granted to Senior Mortgagee or Funding Lender pursuant to the Senior Loan Documents or otherwise, Funding Lender's approval or consent or failure to approve or consent, as the case may be, will be binding on Subordinate Mortgagee. None of the other provisions of this Section 4 are intended to be in any way in limitation of the provisions of this Section 4(e).
- (f) All requirements pertaining to insurance under the Subordinate Loan Documents (including requirements relating to amounts and types of coverages, deductibles and special endorsements) will be deemed satisfied if Borrower complies with the insurance requirements under the Senior Loan Documents and of Funding Lender. All original policies of insurance required pursuant to the Senior Loan Documents will be held by Funding Lender. Nothing in this Section 4(f) will preclude Subordinate Mortgagee from requiring that it be named as a mortgagee and loss payee, as its interest may appear, under all policies of property damage insurance maintained by Borrower with respect to the Mortgaged Property, provided such



action does not affect the priority of payment of Loss Proceeds, or that Subordinate Mortgagee be named as an additional insured under all policies of liability insurance maintained by Borrower with respect to the Mortgaged Property.

- (g) In the event of a Condemnation or a Casualty, all of the following provisions will apply:
  - (i) The rights of Subordinate Mortgagee (under the Subordinate Loan Documents or otherwise) to participate in any proceeding or action relating to a Condemnation or a Casualty, or to participate or join in any settlement of, or to adjust, any claims resulting from a Condemnation or a Casualty, will be and remain subordinate in all respects to Senior Mortgagee's and Funding Lender's rights under the Senior Loan Documents with respect thereto, and Subordinate Mortgagee will be bound by any settlement or adjustment of a claim resulting from a Condemnation or a Casualty made by Funding Lender.
  - (ii) All Loss Proceeds will be applied either to payment of the costs and expenses of Restoration or to payment on account of the Senior Indebtedness, as and in the manner determined by Funding Lender in its sole discretion.
  - (iii) If Funding Lender applies or releases Loss Proceeds for the purposes of Restoration of the Mortgaged Property, then Subordinate Mortgagee will release for such purpose all of its right, title and interest, if any, in and to such Loss Proceeds. If Funding Lender holds Loss Proceeds, or monitors the disbursement thereof, Subordinate Mortgagee will not do so. Nothing contained in this Agreement will be deemed to require Funding Lender to act for or on behalf of Subordinate Mortgagee in connection with any Restoration or to hold or monitor any Loss Proceeds in trust for or otherwise on behalf of Subordinate Mortgagee, and all or any Loss Proceeds may be commingled with any funds of Funding Lender.
  - (iv) If Funding Lender elects to apply Loss Proceeds to payment on account of the Senior Indebtedness, and if the application of such Loss Proceeds results in the payment in full of the entire Senior Indebtedness, any remaining Loss Proceeds held by Funding Lender will be paid to Subordinate Mortgagee unless another party has asserted a claim to the remaining Loss Proceeds.
- (h) Subordinate Mortgagee will enter into attornment and non-disturbance agreements with all tenants under commercial or retail Leases, if any, to whom Senior Mortgagee or Funding Lender has granted attornment and non-disturbance, on the same terms and conditions given by Senior Mortgagee or Funding Lender.

- (i) Except as provided in this Section 4(i), and regardless of any contrary provision in the Subordinate Loan Documents, Subordinate Mortgagee will not collect payments for the purpose of escrowing for any cost or expense related to the Mortgaged Property or for any portion of the Subordinate Indebtedness. However, if Funding Lender is not collecting escrow payments for one or more Impositions, Subordinate Mortgagee may collect escrow payments for such Impositions; provided that all payments so collected by Subordinate Mortgagee will be held in trust by Subordinate Mortgagee to be applied only to the payment of such Impositions.
- (j) Within 10 days after request by Funding Lender, Subordinate Mortgagee will furnish Funding Lender with a statement, duly acknowledged and certified setting forth the then-current amount and terms of the Subordinate Indebtedness, confirming that there exists no default under the Subordinate Loan Documents (or describing any default that does exist), and certifying to such other information with respect to the Subordinate Indebtedness as Funding Lender may request.
- (k) Senior Mortgagee or Funding Lender may amend, waive, postpone, extend, renew, replace, reduce or otherwise modify any provision of any of the Senior Loan Documents without the necessity of obtaining the consent of or providing Notice to Subordinate Mortgagee, and without affecting any of the provisions of this Agreement. Notwithstanding the foregoing, neither Senior Mortgagee nor Funding Lender may modify any provision of the Senior Loan Documents that increases the Senior Indebtedness, except for increases in the Senior Indebtedness that result from advances made by Senior Mortgagee or Funding Lender to protect the security or lien priority of Senior Mortgagee or Funding Lender under the Senior Loan Documents or to cure defaults under the Subordinate Loan Documents. Senior Mortgagee and Funding Lender will use best efforts to deliver Notice to Subordinate Mortgagee of any material amendment to the Senior Loan Documents, provided that neither giving nor failing to give a Notice to Subordinate Mortgagee pursuant to this Section 4(k) will affect the validity of any such amendment or Senior Mortgagee's or Funding Lender's rights and remedies under the Senior Loan Documents or otherwise subject Senior Mortgagee or Funding Lender to any claims by or liability to Subordinate Mortgagee.

## **5. Default Under Loan Documents.**

- (a) For a period of 90 days following delivery to Funding Lender of an Enforcement Action Notice, Funding Lender will have the right, but not the obligation, to cure any Subordinate Mortgage Default, provided that if such Subordinate Mortgage Default is a non-monetary default and is not capable of being cured within such 90-day period and Funding Lender has commenced and is diligently pursuing such cure to completion, Funding Lender will have such additional period of time as may be required to cure such Subordinate Mortgage Default or until such time, if ever, as Funding Lender (i) discontinues its pursuit of any cure and/or (ii) delivers to Subordinate Mortgagee Funding Lender's written consent to the Enforcement Action described in the Enforcement Action Notice. Neither Senior

Mortgagee nor Funding Lender will be subrogated to the rights of Subordinate Mortgagee under the Subordinate Loan Documents by reason of Funding Lender having cured any Subordinate Mortgage Default. However, Subordinate Mortgagee acknowledges that all amounts advanced or expended by Funding Lender in accordance with the Senior Loan Documents or to cure a Subordinate Mortgage Default will be added to and become a part of the Senior Indebtedness and will be secured by the lien of the Senior Mortgage.

- (b) Funding Lender will deliver to Subordinate Mortgagee a copy of any Notice sent by Funding Lender to Borrower of a Senior Mortgage Default within 5 Business Days of sending such Notice to Borrower. Failure of Funding Lender to send Notice to Subordinate Mortgagee will not prevent the exercise of Funding Lender's rights and remedies under the Senior Loan Documents. Subordinate Mortgagee will have the right, but not the obligation, to cure any monetary Senior Mortgage Default within 30 days following the date of such Notice; provided, however, that Funding Lender will be entitled during such 30-day period to continue to pursue its remedies under the Senior Loan Documents.

Subordinate Mortgagee may, within 90 days after the date of the Notice, cure a non-monetary Senior Mortgage Default if during such 90-day period, Subordinate Mortgagee keeps current all payments required by the Senior Loan Documents. If such a non-monetary Senior Mortgage Default creates an unacceptable level of risk relative to the Mortgaged Property, or Senior Mortgagee's or Funding Lender's secured position relative to the Mortgaged Property, as determined by Funding Lender in its sole discretion, then during such 90-day period Funding Lender may exercise all available rights and remedies to protect and preserve the Mortgaged Property and the Rents, revenues and other proceeds from the Mortgaged Property. Subordinate Mortgagee will not be subrogated to the rights of Senior Mortgagee or Funding Lender under the Senior Loan Documents by reason of Subordinate Mortgagee having cured any Senior Mortgage Default. However, Senior Mortgagee and Funding Lender acknowledge that all amounts paid by Subordinate Mortgagee to Senior Mortgagee or Funding Lender to cure a Senior Mortgage Default will be deemed to have been advanced by Subordinate Mortgagee pursuant to, and will be secured by the lien of, the Subordinate Mortgage. Notwithstanding anything in this Section 5(b) to the contrary, Subordinate Mortgagee's right to cure any Senior Mortgage Default will terminate immediately upon the occurrence of any Bankruptcy Proceeding.

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

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

- (d) Senior Mortgagee or Funding Lender may pursue all rights and remedies available to it under the Senior Loan Documents, at law, or in equity, regardless of any Enforcement Action Notice or Enforcement Action by Subordinate Mortgagee. No action or failure to act on the part of Senior Mortgagee or Funding Lender in the event of a Subordinate Mortgage Default or commencement of an Enforcement Action will constitute a waiver on the part of Senior Mortgagee or Funding Lender of any provision of the Senior Loan Documents or this Agreement.
- (e) If the Enforcement Action taken by Subordinate Mortgagee is the appointment of a receiver for any of the Mortgaged Property, all of the Rents, issues, profits and proceeds collected by the receiver will be paid and applied by the receiver solely to and for the benefit of Senior Mortgagee or Funding Lender until the Senior Indebtedness will have been paid in full.
- (f) Subordinate Mortgagee consents to and authorizes the release by Senior Mortgagee or Funding Lender of all or any portion of the Mortgaged Property from the lien, operation, and effect of the Senior Loan Documents. Subordinate Mortgagee waives to the fullest extent permitted by law, all equitable or other rights it may have (i) in connection with the release of all or any portion of the Mortgaged Property, (ii) to require the separate sale of any portion of the Mortgaged Property, (iii) to require Senior Mortgagee or Funding Lender to exhaust its remedies against all or any portion of the Mortgaged Property or any combination of portions of the Mortgaged Property or any other collateral for the Senior Indebtedness, or (iv) to require Senior Mortgagee or Funding Lender to proceed against Borrower, any other party that may be liable for any of the Senior Indebtedness (including any general partner of Borrower if Borrower is a partnership), all or any portion of the Mortgaged Property or combination of portions of the Mortgaged Property or any other collateral, before proceeding

against all or such portions or combination of portions of the Mortgaged Property as Senior Mortgagee or Funding Lender determines. Subordinate Mortgagee consents to and authorizes, at the option of Senior Mortgagee or Funding Lender, the sale, either separately or together, of all or any portion of the Mortgaged Property. Subordinate Mortgagee acknowledges that without Notice to Subordinate Mortgagee and without affecting any of the provisions of this Agreement, Senior Mortgagee or Funding Lender may (i) extend the time for or waive any payment or performance under the Senior Loan Documents; (ii) modify or amend in any respect any provision of the Senior Loan Documents; and (iii) modify, exchange, surrender, release, and otherwise deal with any additional collateral for the Senior Indebtedness.

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

#### **6. Miscellaneous Provisions.**

- (a) If there is any conflict or inconsistency between the terms of the Subordinate Loan Documents and the terms of this Agreement, then the terms of this Agreement will control.
- (b) This Agreement will be binding upon and will inure to the benefit of the respective legal successors and permitted assigns of the parties hereto. No other party will be entitled to any benefits hereunder, whether as a third-party beneficiary or otherwise.
- (c) This Agreement does not constitute an approval by Senior Mortgagee or Funding Lender of the terms of the Subordinate Loan Documents.
- (d) Each Notice, request, demand, consent, approval or other communication (collectively, "Notices," and singly, a "Notice") which is required or permitted to be given pursuant to this Agreement will be in writing and will be deemed to have been duly and sufficiently given if (i) personally delivered with proof of delivery (any Notice so delivered will be deemed to have been received at the time so delivered), or (ii) sent by a national overnight courier service (such as FedEx) designating earliest available delivery (any Notice so delivered will be deemed to have been received on the next Business Day following receipt by the courier), or (iii) 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 will be deemed to have been received on the date of delivery as confirmed by the return receipt), addressed to the respective parties as follows:

- (i) Notices intended for Senior Mortgagee will be addressed to:

Wilmington Trust, National Association  
Financial Center  
505 20<sup>th</sup> Street North, Suite 350  
Birmingham, Alabama 35203  
Attention: Ann M. Johnson  
Telephone: (205) 438-7183  
Email: [ajohnson1@wilmingtontrust.com](mailto:ajohnson1@wilmingtontrust.com)

- (ii) Notices intended for Subordinate Mortgagee will be addressed to:

Lexington-Fayette Urban County Government  
101 East Vine Street, Suite 400  
Lexington, Kentucky 40507  
Attention: Richard McQuady, Affordable Housing Manager

- (iii) Notices intended for Funding Lender will be addressed to:

Bellwether Enterprise Real Estate Capital, LLC  
1360 East 9<sup>th</sup> Street, Suite 300  
Cleveland, Ohio 44114

Funding Lender Representative (as of Freddie Mac Purchase Date):

Federal Home Loan Mortgage Corporation  
8100 Jones Branch Drive, MS B4P  
McLean, VA 22102  
Attention: Multifamily Operations Loan Accounting  
Email: [mfla@freddiemac.com](mailto:mfla@freddiemac.com)  
Telephone: (703) 714-4177

With a copy to:

Federal Home Loan Mortgage Corporation  
8200 Jones Branch Drive, MS 210  
McLean, VA 22102  
Attention: Managing Associate General Counsel – Multifamily Legal  
Division  
Email: [josh\\_schonfeld@freddiemac.com](mailto:josh_schonfeld@freddiemac.com)  
Telephone: (703) 903-2000

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

- (e) Nothing in this Agreement or in any of the Senior Loan Documents or Subordinate Loan Documents will be deemed to constitute Senior Mortgagee or Funding Lender as a joint venturer or partner of Subordinate Mortgagee.
- (f) Upon Notice from Funding Lender, Subordinate Mortgagee will execute and deliver such additional instruments and documents, and will take such actions, as are required by Funding Lender in order to further evidence or implement the provisions and intent of this Agreement.
- (g) This Agreement will be governed by the laws of the State in which the Land is located.
- (h) If any one or more of the provisions contained in this Agreement, or any application of any such provisions, is invalid, illegal, or unenforceable in any respect, the validity, legality, enforceability, and application of the remaining provisions contained in this Agreement will not in any way be affected or impaired.
- (i) The term of this Agreement will commence on the date of this Agreement and will continue until the earliest to occur of the following events: (i) the payment of all of the Senior Indebtedness; provided that this Agreement will be reinstated in the event any payment on account of the Senior Indebtedness is avoided, set aside, rescinded or repaid by Senior Mortgagee or Funding Lender as described in Section 2(e) of this Agreement, (ii) the payment of all of the Subordinate Indebtedness other than by reason of payments which Subordinate Mortgagee is obligated to remit to Senior Mortgagee or Funding Lender pursuant to this Agreement, (iii) the acquisition by Senior Mortgagee or Funding Lender or by a third party purchaser of title to the Mortgaged Property pursuant to a foreclosure of, deed in lieu of foreclosure, or trustee's sale or other exercise of a power of sale or similar disposition under the Senior Mortgage; or (iv) with the prior written consent of Funding Lender, without limiting the provisions of Section 5(d), the acquisition by Subordinate Mortgagee of title to the Mortgaged Property subject to the Senior Mortgage pursuant to a foreclosure, or a deed in lieu of foreclosure, of (or the exercise of a power of sale under) the Subordinate Mortgage.
- (j) No failure or delay on the part of any party to this Agreement in exercising any right, power, or remedy under this Agreement will operate as a waiver of such right, power, or remedy, nor will any single or partial exercise of any such right, power or remedy preclude any other or further exercise of such right, power, or remedy or the exercise of any other right, power or remedy under this Agreement.
- (k) Each party to this Agreement acknowledges that if any party fails to comply with its obligations under this Agreement, the other parties will have all rights available at law and in equity, including the right to obtain specific performance of the obligations of such defaulting party and injunctive relief.

- (l) Nothing in this Agreement is intended, nor will it be construed, to in any way limit the exercise by Subordinate Mortgagee of its governmental powers (including police, regulatory and taxing powers) with respect to Borrower or the Mortgaged Property to the same extent as if it were not a party to this Agreement or the transactions contemplated by this Agreement.
- (m) This Agreement shall inure to the benefit of any subsequent holder of the Senior Indebtedness.
- (n) This Agreement may be amended, changed, modified, altered or terminated only by a written instrument or written instruments signed by the parties to this Agreement.
- (o) This Agreement may be executed in two or more counterparts, each of which will be deemed an original but all of which together will constitute one and the same instrument.
- (p) Notwithstanding anything herein to the contrary, pursuant to Section 17(c) of the Senior Mortgage and Section 6.03 of the Funding Loan Agreement, all acts, consents, approvals and undertakings of Senior Mortgagee hereunder shall be solely at the written direction of the Funding Lender. The parties acknowledge and agree that Funding Lender is a third party beneficiary of this Agreement, with full rights as such.

**[Signature and acknowledgment pages follow]**



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

**SENIOR MORTGAGEE:**

**WILMINGTON TRUST, NATIONAL ASSOCIATION,**  
a national banking association

By: *Ann M. Johnson*  
Name: ANN M. JOHNSON  
Title: VICE PRESIDENT

**ACKNOWLEDGMENT**

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of Alabama )  
County of Jefferson )

On July 10, 2017 before me, Ann M. Johnson, Vice President (insert name and title of the officer), personally appeared \_\_\_\_\_, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of Alabama that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

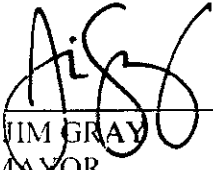
*Adrienne H. Sanders*  
(Signature)

(Affix Seal)

Adrienne H. Sanders  
Notary Public, State of Alabama  
Alabama State at Large

**SUBORDINATE MORTGAGEE:**

**LEXINGTON-FAYETTE URBAN  
COUNTY GOVERNMENT**

By:   
Name: JIM GRAY  
Title: MAYOR

**ACKNOWLEDGMENT**

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of Kentucky )  
County of Fayette )

On 11-Jul-2017 before me, Sharon Jones, Notary (insert name and title of the officer), personally appeared Jim Gray, Mayor, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of Kentucky that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

  
(Signature) #547793

(Affix Seal)

**CONSENT OF BORROWER**

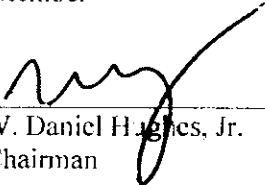
Borrower acknowledges receipt of a copy of this Subordination Agreement, dated July 1, 2017, by and among Wilmington Trust, National Association and the Lexington-Fayette Urban County Government and consents to the agreement of the parties set forth in this Agreement.

**LRC – DOWNING PLACE, LP,**  
a Kentucky limited partnership

By: LRC – Downing Place GP, LLC,  
a Kentucky limited liability company,  
its General Partner


By: LRC GP, LLC,  
a Delaware limited liability company,  
its Sole Member

By: LEDIC Realty Company, LLC,  
a Delaware limited liability company,  
its Sole Member

By:   
Name: W. Daniel Hughes, Jr.  
Title: Chairman

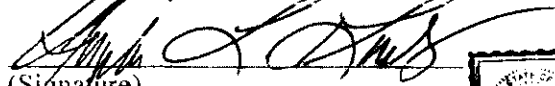
**ACKNOWLEDGMENT**

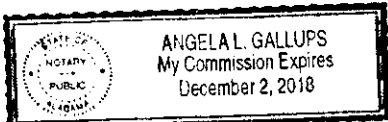
A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of Alabama )  
County of Montgomery )  
On July 10<sup>th</sup>, 2017 before me,  (insert name and title of the officer), personally appeared W. Daniel Hughes, Jr., who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of Alabama that the foregoing paragraph is true and correct.

WITNESS my hand and official seal

  
(Signature)



(Affix Seal)

## EXHIBIT A

### LEGAL DESCRIPTION

The Land referred to in this policy is described as follows:

Beginning at a point in the South right of way line of Spangler Drive, said point being a corner to Tramontine & Hillmeyer; thence with the line of Tramontine & Hillmeyer for two calls, South 21° 57' West, 61.87 feet and South 26° 13' West, 458.21 feet to a point, a corner to Flynn; thence with the line of Flynn for three calls, North 54° 22' West, 397.58, North 13° 50' West 496.40 feet, and North 42° 18' West, 294.36 feet to a point in the line of Arnold; thence with the line of Arnold, North 30° 49'; East 579.89 feet to a point in the South right of way line of Laredo Drive; thence with the South right of way line of Laredo Drive for two calls, South 59° 13' East, 228.75 feet and South 64° 56' East, 148.70 feet to a point in the West right of way line of Spangler Drive; thence with the West and South right of way line of Spangler Drive for two calls, along a 10.4009 degree curve to the left 582.27 feet and South 37° 00' East, 286.67 feet to the point of beginning, containing 14.214 acres, more or less. Being all of Lot 1, Downing Place, Unit 1-C, plat of which is of record in Plat Cabinet D, Slide 126, in the office of the Clerk of Fayette County, Kentucky.

Property is also described as:

All that tract or parcel of land lying and being the same property acquired by LRC – Downing Place, LP, a Kentucky limited partnership in Book 3480, Page 96 of Fayette County Records, and being more particularly described as follows:

Beginning at a set 5/8" x 30" Rebar with a yellow cap stamped "R Davis KY PS 3704", in the South right of way line of Spangler Drive (60' ROW), said point being a corner to Vernon W. Griggs & Ruby Griggs (Vol 2408, Pg 623); thence running S 23°11'34" W a distance of 61.49 feet to a set 5/8" x 30" Rebar with a yellow cap stamped "R Davis KY PS 3704"; thence continuing S 28°17'52" W 458.21 to set 5/8" x 30" Rebar with a yellow cap stamped "R Davis KY PS 3704"; thence turning and running N 53°07'26" W 388.47 feet to a set 5/8" x 30" Rebar with a yellow cap stamped "R Davis KY PS 3704"; thence turning and running N 12°35'26" W 496.40 feet to a set 5/8" x 30" Rebar with a yellow cap stamped "R Davis KY PS 3704"; thence turning and running N 41°03'26" W 294.36 feet to a 1/2" Rebar Found w/ No Cap; thence turning and running N 32°03'34" E 580.30 feet to a 1/2" Rebar Found w/ No Cap on the South right-of-way of Laredo Drive (60' ROW); thence turning and running along said right-of-way S 56°57'22" E 228.69 feet to a 1/2" Rebar Found w/ No Cap; thence continuing S 62°39'23" E 146.62 feet to a 1/2" Rebar Found w/ No Cap to a point of curvature along Spangler Drive having a radius of 559.22', an arc length of 581.60', a chord length of 555.74', a chord bearing of S 05°20'07" E to a 5/8" Rebar Found w/ No Cap; thence continuing S 37°17'21" E 284.06 feet to the Point of Beginning, having an area of 611,828 square feet, 14.046 acres.