

PROMISSORY NOTE

\$ _____

Frankfort, Kentucky

_____, _____

FOR VALUE RECEIVED, _____ promises to pay to **KENTUCKY HOUSING CORPORATION ("KHC")**, a de jure municipal corporation and political subdivision of the Commonwealth of Kentucky, 1231 Louisville Road, Frankfort, Kentucky 40601, its successors and assigns, the principal sum of _____ Dollars (\$ _____), with interest thereon at the rate of zero percent (0.00%) per annum. No payment of principal and interest shall be due under this Note so long as (i) no event of default has occurred and is continuing under this Note or the Loan Documents (hereinafter defined) or (ii) no recapture event has occurred under section 1602 of the American Recovery and Reinvestment Act of 2009, section 42 of the Internal Revenue Code of 1986, as amended (the Code") or KHC's Low Income Housing Tax Credit Program. Provided no event of default or recapture event has occurred and is continuing, the outstanding principal amount due under this Note shall be forgiven by KHC each year, subject to the limitations in the next sentence, commencing with the first year following the placed in service date of the Project as identified in the Loan Documents, as such date is defined in section 42 of the Code, in an amount equal to six and sixty seven hundreds percent (6.67%) of the original principal amount of this Note. Any amounts previously forgiven by KHC will also be subject to recapture and repayment by the undersigned if KHC or the US Department of Treasury determines in their sole discretion that an event of default or recapture event occurred for any such prior period(s). Any outstanding principal and accrued but unpaid interest under this Note shall be due and payable on the Maturity Date of this Note which is _____.

The undersigned will pay to KHC or the subsequent holder of this Note a late charge equal to five percent (5%) of any installment of principal or interest not received within 10 days after such installment is due.

If (1) any installment of interest or the payment of principal remains unpaid for more than 10 days after the due date thereof (without any further demand or notice), (2) the undersigned 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, (4) there is any default by undersigned under the Loan Documents or any other document, instrument or agreement providing any security for this Note, (5) the property described in the Mortgage is sold, transferred or further encumbered without KHC's prior written consent prior to the Maturity Date of this Note, or (6) there is a default by the undersigned under this or any other indebtedness, liability or obligation to KHC, whether direct, contingent, absolute, joint or several, or heretofore or hereafter incurred, and whether or not the incurrence of same was reasonably foreseeable, then, in any of

those events, KHC or the holder of this Note may declare the remaining principal balance of this Note (or so much thereof as may have been advanced) and any amount previously forgiven by KHC which is subject to recapture and repayment to be immediately due and payable. In the event of a default under this Note, interest shall accrue on the entire unpaid balance at the rate of twelve percent (12%) per annum from the date an event of default is declared until the default is 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 KHC or the holder of this Note to accelerate repayment of the entire unpaid balance, unless KHC or the holder expressly grants such waiver in writing.

This Note evidences indebtedness incurred under, and is subject to the terms and provisions of, the Tax Credit Exchange Program Assistance Agreement ("Agreement") of even date herewith providing for a loan of _____ Dollars (\$_____) between the undersigned and KHC, and this Note is expressly subject to and will be bound by the terms and conditions set forth in such Agreement as if all of such terms and conditions were expressly set forth herein.

This Note is also secured by and is the same Note mentioned in a Mortgage, Assignment of Leases and Rents, Security Agreement and related financing statements and Declaration of Covenants and Restrictions executed in favor of KHC by the undersigned (together with the Agreement collectively referred to herein as the "Loan Documents"), and this Note is expressly made subject to and will be bound by the terms and conditions set forth in such instruments as if all of such terms and conditions were expressly set forth herein.

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 bound for the payment of the principal of and interest on this Note notwithstanding any extension or extensions of time of the payment of said 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 the Commonwealth 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 reasonable attorneys' fees, 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 KHC or any other holder hereof.

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

WAIVER OF JURY TRIAL. THE PARTIES HEREBY WAIVE ANY RIGHT TO TRIAL BY JURY IN ANY PROCEEDING ARISING OUT OF OR RELATING TO THIS NOTE OR ANY OF THE CONTEMPLATED TRANSACTIONS, WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE. THE PARTIES AGREE THAT ANY OF THEM MAY FILE A COPY OF THIS PARAGRAPH WITH ANY COURT AS WRITTEN EVIDENCE OF THE KNOWING, VOLUNTARY AND BARGAINED-FOR AGREEMENT AMONG THE PARTIES IRREVOCABLY TO WAIVE TRIAL BY JURY AND THAT ANY PROCEEDING WHATSOEVER BETWEEN THEM RELATING TO THIS NOTE OR ANY OF THE CONTEMPLATED TRANSACTIONS SHALL INSTEAD BE TRIED IN A COURT OF COMPETENT JURISDICTION BY A JUDGE SITTING WITHOUT A JURY.

By: _____

Title: _____