Term Sheet 6/22.1/2001
The North End Phase II
Loan Agreement between USL Land Phase I, LLC, and the City of Milwaukee
June 22, 2011

Project:	North End Phase II, a 155-unit multi-family residential, retail and structured parking project containing 80% market-rate units and 20% units affordable to households earning no more than 60% of County Median Income. Senior financing to be provided by WHEDA in the form of variable rate tax-exempt bonds in an anticipated amount of $26.185 million. Total Project costs are estimated at $36.7 million.
Developer/ Borrower:	USL Phase I Land, LLC
Zoning/Design Review:	The Project is within the Park East Redevelopment Boundary/RED Zoning and is subject to, and being developed in accordance with, the standards required by these regulatory documents.
Project Budget:	Total Project budget is approximately $36.7 million. Estimated total sources include: • WHEDA Bonds – senior $26,185,000 • City loan – described below $4,628,940 • Retail purchase proceeds $228,200 • Cash equity (Series B Bond) $4,950,000 • Equity – Deferred Dev. Fee $713,849 Additional detail on the Project budget is found in Exhibit A.
City/RACM Funding:	1. A $2.2 million infrastructure grant from Park East TID proceeds, through modification of Developer's existing Development Agreement with City of Milwaukee to allow accelerated grant funding. 2. A $4,628,940 junior construction/permanent loan with terms as set forth below(the "RACM Loan"). RACM and/or City will utilize its best efforts to fund the RACM Loan with the proceeds

	of Midwest Disaster Area Bonds.
Lender:	Redevelopment Authority of the City of Milwaukee (RACM)
Loan Term:	18 years, but due on sale or refinance
Interest Rate:	5.5% fixed rate throughout loan term.
Amortization:	Interest-only for first 3 years, including construction period. Base Amortization: Commencing in Year Four, minimum payments of principal equivalent to a 25-year amortization schedule based on level principal and interest payments at a 5.5% annual interest rate. Payment of Interest Savings: in years where the weighted average annual interest cost on the WHEDA Bonds is less than 5.0%, Interest Savings shall be calculated and set aside from cash flow after payment of scheduled WHEDA Bond debt service. • Interest Savings, shall be calculated as the difference between the actual annual interest cost, adjusted for the effect of any interest rate hedging instruments (plus annual fees paid to WHEDA, letter-of-credit fees or liquidity fees paid with respect to the Bonds, remarketing and trustee expenses) paid on the WHEDA Bonds for that year compared with the interest cost if the rate on the WHEDA Bonds (plus the expenses listed above) had been 5.0% for the year. This calculation shall exclude contributions toward the WHEDA Interest Reserve described herein. Interest Savings shall also include remaining Construction Interest reserve amounts at stabilization as described in 'Treatment of Remaining Reserves at Stabilization', herein. Additional principal payments shall be made to RACM from Interest Savings as follow: • The first cumulative $600,000 of Interest Savings shall be paid into a Debt Service Management Account (DSMA), as more particularly described below, maintained by Borrower. Thereafter, and not withstanding any withdrawals or payments from the Debt Service Management Account, 50% of such Interest Savings shall be paid to RACM as additional principal on the RACM Loan.

	• The Developer's obligation to pay 50% of Interest Savings to RACM shall be subordinate to WHEDA Bonds and interest owed to RACM and Base Amortization payment, but senior to all other Project obligations. WHEDA shall require Borrower to create and maintain an Interest Reserve equal to 5% of the outstanding principal amount of the WHEDA bonds, subject to debt coverage tests. Any funds used by the Borrower to satisfy such Interest Reserve requirements, whether with cash, letter of credit, or other means, except funds from the $350,000 Operating Deficit / Rent-Up Reserve required by WHEDA, shall be subordinate to the City's rights to sharing of Interest Savings. Interest due on the RACM Loan in subsequent years shall be calculated based on the then-current balance of the RACM Loan but shall not change the scheduled Base Amortization principal payment.
<u>10th Anniversary Payment</u>	On the tenth anniversary of the closing of the RACM Loan, Developer/Borrower shall make a one-time additional principal payment on the RACM loan in the amount of $300,000.
<u>Developer Fee:</u>	Developer Fee shall be limited to 3.86% of Total Development Costs – no more than $1.43 million. A minimum of 50% of the Developer Fee shall be deferred and payable from project cash flow after completion, subordinate to all debt obligations.
<u>Purchase of Retail Space:</u>	At closing, a Developer affiliate (North End Phase I, LLC) shall fund 100% of the purchase proceeds for 2,282 square feet of Project retail space, to be deposited into Project construction escrow and used for Project construction. The minimum purchase price shall be 2,282 square feet multiplied by $100 per square foot, or $228,200.
<u>"B Bonds":</u>	RACM will facilitate the issuance of approximately $4.95 million (net proceeds) of "B Bonds" – unsecured, fixed-rate, tax-exempt bonds payable from Project cash flow via the Midwest Disaster Area Bond program. The anticipated interest rate on the B Bonds is 9%. These B Bonds shall be subordinate to the WHEDA Bonds and RACM Loan with no bondholder remedies that could force a default on the WHEDA bonds or RACM Loan. A letter of credit may be used to delay funding B Bond proceeds (see "Order of Disbursement" section), in which case, the Project budget shall not include any capitalized interest payments to B Bond holders. If such letter of credit cannot be used, the Project budget

	shall include not more than one year's capitalized interest, not to exceed $445,500. Under no circumstances shall construction interest savings, prior to stabilization, if any, be used to make such payments to B Bond holders.
Sources Subordinate to RACM Loan:	Developer shall raise a minimum of $5.66 million in equity (including deferred Developer Fee but excluding retail space purchase proceeds) and B Bond proceeds.
Order of Disbursement:	Equity, Retail Space Sale Proceeds, B Bond Proceeds, and unless otherwise required by WHEDA, (and negotiated with the City via an intercreditor agreement with WHEDA), WHEDA Bond proceeds shall be fully expended before RACM loan proceeds may be drawn. Subject to WHEDA approval, Developer will use a letter of credit to delay funding of B Bond proceeds until after WHEDA Bond proceeds are fully disbursed, but before the RACM Loan is disbursed.
Final Draw and Treatment of Net Savings	Prior to the final disbursement of RACM Loan proceeds, the actual Project Total Development Costs shall be reviewed against the initial budget at closing to calculate a Net Savings Amount, if any. This calculation shall identify any Net Savings against budgeted development costs, exclusive of any savings against budgeted operating deficit and construction period interest reserves, but allowing for netting between other line items. Such Net Savings shall reduce the RACM Loan amount, either via funds never being drawn or via an immediate return of principal. Notwithstanding the above, any net savings against pro forma interest reserves and / or operating deficit reserves may be used to offset an overall net overage in total development costs.
Treatment of Remaining Reserves at Stabilization	Following completion of construction and Project "Stabilization", all amounts remaining in the Project Construction Interest account, after taking into account negative arbitrage during the construction period, shall be treated as Interest Savings as described in "Amortization." Stabilization ("Stabilization") shall mean three consecutive months where project income exceeds project expenses, with property taxes calculated, and pro-rated, on an accrual basis. Project expenses shall include debt service on the WHEDA loan at an assumed rate of 5.0% and debt service on the RACM Loan.
Debt Service Management Account	At or prior to Project Stabilization, a Debt Service Management Account (DSMA) shall be created. The DSMA shall be a segregated cash account not to be commingled with other Project funds or reserves. Funds in the DMSA shall only be used for the following purposes: • Payment of interest on the WHEDA Bonds in periods when the

	all-in rate on the WHEDA Bonds is greater than 5.0%; • Purchases of interest rate hedging instruments (e.g. swaps, caps, etc.) that serve to reduce interest rate risk; • Replenishments of the Interest Reserve (5% of outstanding principal amount) that may be required under the WHEDA Bond documents.
Security:	• Second mortgage on Phase II Project • Second priority assignment of rents and leases • Construction Completion Guaranty from Barry Mandel (“Guarantor”) • Full Payment Guaranty from Barry Mandel • Negative Pledge on DSMA
City “Kicker” Payment:	Upon sale or refinance, a $500,000 payment shall be made to the City/RACM if such sale or refinance event generates sufficient funds to repay the B Bonds, subject to availability of sufficient proceeds after B Bond repayment.
Priority of Cash Flow	Project cash flow after operating expenses shall be used as follows: • Scheduled interest and principal payments on WHEDA Bonds • Required contributions to the Replacement Reserve of up to $3900 per month per WHEDA requirements • Scheduled interest and principal payments on the City/RACM Loan • Initial funding of the DSMA • Interest Savings Payments payable to RACM • 10th Anniversary Payment (only upon the 10th Anniversary) • Payments to the holders of the B Bonds Management Fee and other similar payments to Developer or Developer affiliates shall be limited to 5% of 90% of pro forma rental revenue during lease-up, and 5% of gross Project revenue after stabilization.
Priority of Repayment	Upon sale or refinancing, net proceeds shall be applied and disbursed in the following order: • WHEDA First Mortgage • RACM Second Mortgage • B Bondholders • Repayments to Guarantor, if Guarantor has made any payments of debt service on the City Loan, which have not previously been reimbursed, pursuant to the Debt Service Guarantee

	• City "Kicker" Payment • Developer's Equity of $713,849 • Balance to Developer
Conditions to Closing/ Disbursement of City Loans:	Preconditions to closing of RACM Loan to the Developer shall include, but not be limited to: A. Design Review. The City of Milwaukee shall have approved the final plans and specifications for the Project, and issued permits for building construction. B. Evidence of Financing. Developer must provide evidence that, together with the RACM Loan, sufficient Senior Debt and Developer equity are committed (and all preconditions to funding satisfied) to pay for the costs of the Project. C. Insurance. Borrower is to provide RACM with evidence of Insurance for all coverage customary for RACM. This will include hazard insurance. D. Title. Borrower is to provide evidence of title insurance naming RACM as mortgagee on Project property. The proceeds of the Loan shall be disbursed pursuant to the terms of a Disbursing Agreement by and among WHEDA, the Borrower, RACM and such other parties as WHEDA may reasonably designate. The City and RACM anticipate that disbursements of the RACM Loan will occur using the same title company as WHEDA.
Development Agreement/Loan Agreement:	The City, Developer and RACM shall enter into a Development Agreement, Loan Agreement, and ancillary loan documents containing terms consistent with this Term Sheet and customary for such development and loan agreements (collectively, "Agreements"). The Agreements may not be assigned to a third party without the written consent of the Executive Director of RACM.
Limits on Developer Action:	Until all Developer obligations under the Development Agreement have been fully discharged, the Developer may not without City consent: • Liquidate or consolidate the Site;

	• Merge with another entity; • Enter into any transaction that would materially adversely affect the ability of the Developer to complete the Project or its obligations under the Development Agreement; • Assume additional indebtedness for which the collateral includes any portion of the Project or the Developer's interest therein • Assume or guarantee the obligations of any other person or entity that would materially adversely affect the ability of the Developer to complete the Project or repay the RACM Loan; or • Enter into a transaction that would cause a material and detrimental change to the Developer's financial condition
<u>Human Resources:</u>	See Exhibit B
<u>Prevailing Wages:</u>	See Exhibit B
<u>PILOT Payments</u>:	The Development Agreement will require payments in lieu of taxes with respect to any parcel, unit or building within the Project site that subsequently becomes exempt from real property taxes. This provision shall be incorporated into a covenant running with the land.
<u>Financial Statements</u>:	Throughout the term of the Loan, Developer shall provide annual financial statements prepared and audited by outside accountants acceptable to RACM no later than 120 days following the close of each Borrower fiscal year for the Project, certified as to accuracy by the Developer, and annual tax returns within 120 days of the end of fiscal year. RACM shall pledge to hold such records confidential to the greatest extent permitted by law. Developer shall also provide such other information on Project financial performance or other related matters as may be requested by RACM in its discretion to oversee Developer performance and maintenance of collateral. Guarantors are required to provide RACM with signed, updated personal financial statements within 120 days of the end of each year and if requested, a signed copy of their personal tax returns.

Defaults:	Failure of Developer to comply with the requirements of the RACM Loan documents (including but not limited to non-payment of interest or principal, use of Available Cash for unauthorized purposes, failure to submit required documentation, failure to complete the project, commission of fraud or other violations, defaulting on Senior funding) shall be deemed Events of Default. The Development Agreement will define these Events of Default, corresponding cure periods, and remedies if applicable. RACM remedies shall include standard lender remedies such as rights to accelerate. RACM will work with WHEDA to develop appropriate intercreditor provisions, including limitations on cross-defaults as needed.
General:	This Term Sheet does not constitute a binding agreement. The terms set forth herein and other provisions customary for a transaction of this sort shall be incorporated in one or more agreements, including the Agreements mentioned above, among the City, RACM, and Developer. Resolutions approving the Term Sheet will also provide for the execution of all additional documents and instruments necessary to implement the Project. All other customary provisions (Comptroller audit rights, DCD Commissioner review and approval of project budget and design,., Developer payment of RACM's out-of-pocket expenses for a lender's representative to monitor construction draws [RACM will consider utilizing the same lender's representative in order to reduce Developer's cost for this service], RACM reimbursement to Developer of funds advanced for project economic analysis, less funds advanced by RACM or City, etc.) will also be included in the Development Agreement.
Future Requests For City Assistance	The City does not plan to provide additional financial assistance to future phases of the North End project, or any other residential projects, in the downtown area. If requested to provide such assistance for a residential project (excluding the cost of adjacent public works or facilities open to the public pursuant to a public access easement), such assistance will be limited to 10% of the estimated assessed value of the project as determined by the Assessment Commissioner, following the determination by the Department of City Development and Office of the Comptroller that the project cannot proceed "but for" the provision of such financial assistance.