

## Moderne Default Scenarios

As a follow up to our conversation yesterday, we are providing the following scenarios for your legal analysis. For each of the following scenarios, please describe the City of Milwaukee's right to foreclose related to its primary security interest - the condominium units - assuming that the City has disbursed the full amount of both the Completion and Mezzanine loans to the Developer. As applicable, please indicate where the City's foreclosure rights depend upon or are potentially restricted by actions or lack of action of other parties such as the Developer, Senior Lender, HUD or the courts. Also, please indicate for each scenario below how and when the City of Milwaukee would be noticed or become aware of the existence of the default event.

### Scenario #1:

There is a Developer default on the Senior Loan.

1A consecutive Loan non-payments

1B technical Loan default (required debt coverage ratio, etc.).

### Scenario #2:

Project completion and a Certificate of Occupancy is not secured by June 1, 2012.

### Scenario #3:

There is a Developer default on either the Completion or Mezzanine Loan

3A the City of Milwaukee has not received full loan repayment on Completion and Mezzanine Loans after 48 months following the initial disbursement of City Loan funds.

3B consecutive Completion or Mezzanine Loan non-payments assuming available funds

3C technical Completion or Mezzanine Loan default (required debt coverage ratio, etc.).

NOTE: Under these Scenarios, please indicate if HUD, the Senior Lender or the courts can in any way impair the City's ability to unilaterally foreclose on the condominium component.

### Scenario #4

The Developer files for or is party to a Chapter 7 or Chapter 11 bankruptcy during or following Project completion.

### Scenario #5

Legal action is taken by third parties (examples: general contractor, prospective owners with deposits in Developer's possession) against the Developer

4A Prior to Project completion and issuance of a Certificate of Occupancy

4B Following Project completion and issuance of a Certificate of Occupancy.