

Term Sheet
The North End Phase II
Loan Agreement between USL Phase I Land, LLC and the City of Milwaukee
 April 15, 2011

<p><u>Project:</u></p>	<p>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.</p> <p>Senior financing to be provided by WHEDA in the form of variable rate tax-exempt bonds in an anticipated amount of \$26.185 million.</p> <p>Total Project costs are estimated at \$36.9 million.</p>
<p><u>Developer/ Borrower:</u></p>	<p>USL Phase I Land, LLC</p>
<p><u>Zoning/Design Review:</u></p>	<p>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.</p>
<p><u>Project Budget:</u></p>	<p>Total Project budget is approximately \$36.9 million. Estimated total sources include:</p> <ul style="list-style-type: none"> • WHEDA Bonds – senior \$26,185,000 • City loan – described below \$4,723,268 • Retail purchase proceeds \$325,801 • Cash equity (Series B Bond) \$4,950,000 • Equity – Deferred Dev. Fee \$713,849 <p>Additional detail on the Project budget is found in Exhibit A.</p>
<p><u>City/RACM Funding:</u></p>	<ol style="list-style-type: none"> 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 \$4,723,268 junior construction/permanent loan with terms as set forth below.

<u>Lender:</u>	Redevelopment Authority of the City of Milwaukee (RACM)
<u>Loan Term:</u>	18 years, but due on sale or refinance
<u>Interest Rate:</u>	5.5% fixed rate throughout loan term
<u>Amortization:</u>	<p>Interest-only for first 3 years, including construction period.</p> <p>Base Amortization: Commencing in Year Four, minimum payments of principal equivalent to a 20-year amortization schedule based on level principal and interest payments at a 5.5% annual interest rate.</p> <p>Additional Principal Paydown: in years where the weighted average interest cost on the WHEDA Bonds is less than 5.5%, an additional principal payment shall be made to RACM as follows:</p> <ul style="list-style-type: none"> • Payment Obligation: subordinate to WHEDA Bonds, interest owed to RACM and Base Amortization payment, but senior to all other Project obligations. • Amount: 50% of the difference between actual annual interest cost and the annual WHEDA interest cost if the rate had been 5.5% for the year.
<u>Developer Fee:</u>	<p>Developer Fee shall be limited to 3.86% of Total Development Costs – no more than \$1.43 million.</p> <p>A minimum of 50% of the Developer Fee shall be deferred and payable from project cash flow after completion, subordinate to all debt obligations.</p>
<u>Purchase of Retail Space:</u>	<p>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 the average per-square-foot total development cost of the Project, estimated at \$336,000.</p>

<p><u>“B Bonds”:</u></p>	<p>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.</p>
<p><u>Sources Subordinate to RACM Loan:</u></p>	<p>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.</p>
<p><u>Order of Disbursement:</u></p>	<p>Equity, Retail Space Sale Proceeds, B Bond Proceeds and WHEDA Bond proceeds shall be fully expended before RACM loan may be drawn. Any overall net savings on Total Development Costs to reduce the RACM loan dollar-for-dollar.</p>
<p><u>Security:</u></p>	<ul style="list-style-type: none"> • Second mortgage on Phase II Project • Second priority assignment of rents and leases • Construction Completion Guaranty from Barry Mandel • Full Payment Guaranty from Barry Mandel • 1st Mortgage on Guarantor assets equal or greater in value to 50% of initial RACM Loan amount
<p><u>City “Kicker” Payment:</u></p>	<p>Upon sale or refinance, a \$500,000 payment shall be made to the City if such sale or refinance event generates sufficient funds to repay the B Bonds.</p>
<p><u>Conditions to Closing/ Disbursement of City Loans:</u></p>	<p>Preconditions to closing of City Loan to the Developer shall include, but not be limited to:</p> <ol style="list-style-type: none"> A. <u>Design Review.</u> The City of Milwaukee shall have approved the final plans and specifications for the Project, and issued permits for building construction. B. <u>Evidence of Financing.</u> Developer must provide evidence that, together with the City Loan, sufficient Senior Debt and Developer equity are committed (and all preconditions to funding satisfied) to pay for the costs of the Project.

	<p>C. <u>Insurance.</u> Borrower is to provide RACM with evidence of Insurance for all coverage customary for RACM. This will include hazard insurance.</p> <p>D. <u>Title.</u> Borrower is to provide evidence of title insurance naming RACM as mortgagee on Project property.</p> <p>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 City Loan will occur using the same title company as WHEDA.</p>
<p><u>Development Agreement/Loan Agreement:</u></p>	<p>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.</p>
<p><u>Limits on Developer Action:</u></p>	<p>Until all Developer obligations under the Development Agreement have been fully discharged, the Developer may not without City consent:</p> <ul style="list-style-type: none"> • 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 City loans; 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>	<p>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. The City 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 the City in its discretion to oversee Developer performance and maintenance of collateral.</p> <p>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.</p>
<u>Defaults:</u>	Failure of Developer to comply with the requirements of the City 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. City remedies shall include standard lender remedies such as rights to accelerate. The City 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, etc.) will also be included in the Development Agreement.