

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

THIS REHABILITATION LOAN AGREEMENT ("Agreement") is made and entered into this 24 day of November, 2015 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 ("LFUCG") through its **OFFICE OF AFFORDABLE HOUSING**, and **EMERGE DEVELOPMENT, LLC**, a Kentucky limited liability company, whose principal address is 941 National Avenue, Suite 120, Lexington, Kentucky 40502 ("Borrower").

WITNESSETH:

WHEREAS, pursuant to Chapter 2, Article XXXV, 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 XXXV, 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 August 3, 2015 (the "Application"), attached hereto and incorporated herein as Exhibit A, has applied for and has received approval for funds for a specific housing related project described below (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 21st day of September, 2015, LFUCG issued to Borrower a Commitment Letter under LFUCG's Affordable Housing Fund Program which was accepted by Borrower on October 5, 2015 ("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 renovation 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 **TWO HUNDRED AND TWENTY-THREE THOUSAND AND THIRTY AND 00/100 DOLLARS (\$223,030.00)** to Borrower from the Fund. Affordable Housing 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 **FORTY-EIGHT THOUSAND AND THIRTY AND 00/100 DOLLARS (\$48,030.00)** forgivable mortgage loan and a **ONE HUNDRED AND SEVENTY-FIVE THOUSAND AND 00/100 DOLLARS (\$175,000.00)** amortizing mortgage loan, which shall accrue interest at the rate of two percent (2%) per annum from the date of the final draw of Affordable Housing Funds, until paid in full, in conjunction with the attached amortization schedule ("Schedule").

attached hereto as Exhibit C and the terms and conditions of which are incorporated herein. All Funds will be evidenced by a promissory note (“Note”) in form and substance satisfactory to LFUCG payable to LFCUG and signed by the Borrower. Principal and interest (if any) of the Affordable Housing Funds allocated under this Agreement shall be amortized in equal, consecutive monthly installments of principal and accrued but unpaid interest, commencing as set forth in the Note and continuing until principal and interest have been paid in full. All unpaid principal and accrued interest shall be due June 1, 2031 (“Maturity Date”). In the event of any inconsistency between the Application, the Commitment Letter and this Agreement, this Agreement will control. The Funds will be expended only for the purpose of renovation and rehabilitation of the Property (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 Funds in form and substance satisfactory to LFUCG. In the sole discretion of LFUCG, the performance of Borrower’s obligations under this Agreement may also be secured by an Assignment of Leases and Rents, Security Agreement, UCC-1 Financing Statement, Fixture Filing, and such other documents as LFUCG may in its sole discretion require (collectively, the Mortgage and the other security documents described in this subsection are referred to as the “Security Documents”, and attached hereto as Exhibit D and the terms and conditions of which are incorporated herein).

1.3 ELIGIBLE ACTIVITY. The Funds have 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 for the rehabilitation of four (4) units known as Smith Town Flats (the “Project”) on the real property located at 531 West Fifth Street, Lexington, Kentucky 40508 (more particularly described in Exhibit E attached hereto and incorporated herein by reference) (the “Property”).

1.4 SITES. In the event the Project includes new construction activities and/or rehabilitation construction activities, Borrower must identify specific units (the “Units”) to be assisted. 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 permitted encumbrance listed in the Security Documents, 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 renovation and rehabilitation 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 renovation and 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 the Funds provided by LFUCG 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 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 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 as provided below;
- (c) proof of costs in adherence to LFUCG's requirements for draws and inspections for the Program activity under this Agreement (construction draws);
- (e) execution of the 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.

3.2 **DISBURSEMENT OF DEVELOPER FEE.** If a Developer fee is paid 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 40% of the Project's developer fee may be disbursed at the initial draw; and
- (b) the remaining 60% may be drawn based upon the percentage of construction completion.
- (c) the amount of the developer fee payable from the Funds is limited to seven and one-half percent (7.5%) of the principal amount of the total Affordable Housing Fund loan.

Developer fee shall be used to cover all funding shortfalls before additional funds can be requested. LFUCG will continue to hold the ten percent (10%) retainage until all project completion and closeout documents are received.

3.3 **AFFORDABILITY PERIOD.** Property assisted with the Funds must be restricted to 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 Fifteen (15) years from date the Funds are first expended on the Project. Affordability must be ensured by recorded deed restrictions for all properties receiving Affordable Housing Funds.

3.4 **SECTION 8 RENTAL ASSISTANCE.** If Affordable Housing Funds are used to construct or rehabilitate 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 AHTF Funds, the Borrower or Property Owner must maintain all risk, fire and extended coverage, in form and with companies acceptable to LFUCG, for the entirety of the Project and any improvements to be constructed thereon in an amount of not less than the Funds made available to Borrower for 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 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 **TWO THOUSAND TWO HUNDRED AND THIRTY DOLLARS** (\$2,230.00).

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

3.8 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 Fund 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 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 renovation and/or rehabilitation 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 the Funds borrowed or advanced pursuant hereto to be applied entirely and exclusively for the renovation or rehabilitation, 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 the 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 NON-LIABILITY 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 the Affordable Housing Funds and/or require repayment of the 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 the Funds have been awarded;

(b) Borrower violates of any of the terms of this Agreement, the Affordable Housing Program Rules, the Note evidencing the 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 the 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 Affordable Housing Funds to Borrower because of a material and adverse change in Borrower’s condition.

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 Promissory 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 Funds or the 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 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 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 renovation/rehabilitation work and abandonment continues for a period of ten (10) 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 fifteen (15) 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 undischarged for fifteen (15) 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 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 loan and/or grant 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 then (10) 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 no 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 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 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 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 to 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 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.

ARTICLE 6 – RECORDS; REPORTING

6.1 RECORDS; ACCESS. Borrower agrees to keep adequate records pertaining to the

Project and the uses of the 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 the 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 CAPITAL NEEDS ASSESSMENT. LFUCG requires a PCNA for all rehabilitation and adaptive reuse projects that includes a capital reserve replacement schedule which projects either beyond the term of any LFUCG loan or twenty (20) years if the project only requires Housing Credits; furthermore, LFUCG requires a subsequent PCNA in year 15 with corresponding adjustment to the capital reserve replacement schedule for all projects obtaining Risk-Sharing, HOME or Affordable Housing Funds gap financing through LFUCG.

6.5 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.

6.6 PROGRAM COMPLIANCE. Borrower agrees to comply with LFUCG Affordable Housing program guidelines and criteria relating to the Affordable Housing 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: Emerge Development, LLC
 941 National Avenue, Suite 120
 Lexington, Kentucky 40502
 ATTN: Benjamin Clements, Partner

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 referred to herein will be governed by the laws of the Commonwealth of Kentucky.

7.7 **ASSIGNABILITY.** Borrower may not assign this Agreement or 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.

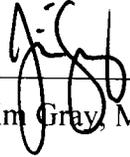
7.10 **WAIVER.** LFUCG may waive Borrower's performance of any of the terms of this Agreement or Borrower's default hereunder; provided, however, such waiver must be in writing, signed by LFUCG, and any such written waiver hereunder will not be construed as a waiver of any other term or condition of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

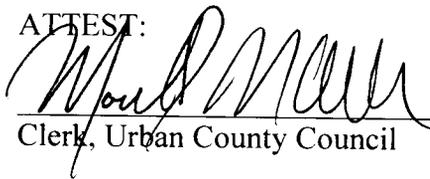
IN WITNESS WHEREOF, this Agreement is executed as of the date and year first above written.

Lexington-Fayette Urban County Government

By: _____


Jim Gray, Mayor

ATTEST:


Clerk, Urban County Council

Emerge Development, LLC

By: _____

Title: _____

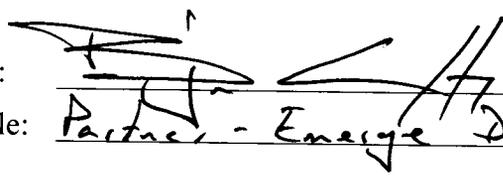
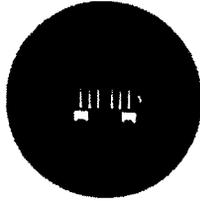

Partner - Emerge Development

EXHIBIT A
(The LFUCG Affordable Housing Fund Application)



Affordable Housing Fund

Application Checklist

Please review the program guidelines and eligible uses prior to filling out this application. If you have any questions, please contact the Office of Affordable Housing at 859.258.3598 or by email at rmcquady@lexingtonky.gov.

A complete loan application package to the Affordable Housing Trust must include the following:

- 1) Completed Application for Funding (Pages 2-5 of this document).
- 2) Completed Capacity Review (Pages 6-8 of this document).
- 3) Project or Business plan, include the following:
 - a) Market analysis.
 - b) Project description with emphasis on the impact the project is expected to have on the neighborhood as well as the need for funds from the Affordable Housing Fund and how the development addresses affordable housing needs in Fayette County.
 - c) A Location Map identifying neighborhood amenities.
 - d) Site photos showing front and rear of building (if applicable). If vacant land, pictures from the north, south, east and west.
 - e) An affordability analysis indicating the income level household that can afford the units at the proposed rent level.
 - f) Physical Needs Assessment (if applicable).
 - g) Detailed description of rehabilitation plan (if applicable).
 - h) A projected 15 year pro-forma.
 - i) Detailed description of sources and uses of funds to acquire and complete development. Describe status of other proposed funds as to whether they are committed, applied for, or in initial discussions. Provide commitment letters for committed funds.
 - j) Post rehabilitation or new construction appraisal.
 - k) Provide verification of site control and proper zoning as well as utilities available to the site.
 - l) Detailed timeline for completion of development.

Development Information

Development Type (Check all that apply):

New Construction:

Rehabilitation:

Adaptive Re-Use:

Rental (11 Units or Less):

Rental (12 Units or More):

Single Site:

Scattered Site:

Historic Property:

Total Number of Units: 4

Total Number of Buildings: 1

Square Feet of Units by Bedroom Size:

Unit Size: 1 Square Footage: 600

Unit Size: Square Footage:

Unit Size: Square Footage:

Unit Size: Square Footage:

Unit Size: Square Footage:

Monthly Rents by Bedroom Size:

Unit Size: 1 Monthly Rent: 650

Unit Size: Monthly Rent:

Unit Size: Monthly Rent:

Unit Size: Monthly Rent:

Unit Size: Monthly Rent:

Target Area Median Income (AMI): \$47,500

Amenities (Check all that apply):

Stove:

Refrigerator:

Dishwasher:

Garbage Disposal:

Dishwasher:

Wash/Dryer Hookup:

Help/Call System:

Community Room:

Playground:

Other (Please specify):

Location Amenities (Check all that apply):

Lexington, KY Affordable Housing Fund – Application Packet

Application for Funding Agreement

The applicant certifies that the information submitted in this application is accurate and consistent with the applications submitted to other funding sources. The applicant commits to keeping the staff and board of the Affordable Housing Fund of Lexington, KY updated with changes in the project structure, funding, and development team. The applicant and any other borrower consents to a possible credit check as part of the underwriting process.

I have read the above agreement and consent to its terms:

Name: Benjamin Clements, PE

Title: Partner with Emerge Development (Developer) & Emerge Contracting (GC)

Date: 08.03.2015

3. Has any member of the development team ever had any violations that resulted in the issuance of an 8823 or other citations by a state housing finance agency?

No If yes, please provide details in a separate attachment.

4. In the last 5 years has any member of the development team or any entity in which a member of the development team has an identity of interest (see instructions for definition) received an award of funds and/or housing credits which have been recaptured or in which the development was not completed?

No If yes, please provide details in a separate attachment.

5. Have any members of the development team ever been charged with or convicted of any criminal offenses, other than a minor motor vehicle violation? If yes, furnish details in a separate attachment.

No If yes, please provide details in a separate attachment.

6. Have any members of the development team been subject to any disciplinary action, past or pending, by any administrative, governmental or regulatory body? If yes, furnish details in a separate attachment.

No If yes, please provide details in a separate attachment.

7. Has any member of the development team been informed of any current or ongoing investigation of the applicant with respect to possible violations of state or federal laws? If yes, furnish details in a separate attachment.

No If yes, please provide details in a separate attachment.

8. Has any member of the development team been a party to a bankruptcy, been in receivership or adjudicated as bankrupt? If yes, furnish details in a separate attachment.

No If yes, please provide details in a separate attachment.

9. Has any member of the development team been denied a business-related license or had it suspended or revoked by any administrative, governmental, or regulatory agency? If yes, furnish details in a separate attachment.

No If yes, please provide details in a separate attachment.

10. Is any member of the development team currently debarred, suspended, or disqualified from contracting with any federal, state, or municipal agency? If yes, furnish details in a separate attachment.

EMERGE

DEVELOPMENT

Project Plan - Rehabilitation of 531 West Fifth Street

A. Market analysis.

The 531 West Fifth Street is located on the West end of downtown Lexington near Coolavin Park and the Jefferson Street corridor. Housing in the area is primarily comprised of single family residences (mostly row homes dating to the early 1900's) with some interspersed multi-family housing units of varying age. The majority of households in the area are renters and it is predominantly low income with an area median income of \$17,900.

B. Project description with emphasis on the impact the project is expected to have on the neighborhood as well as the need for funds from the Fayette County Affordable Housing Fund and how the development addresses affordable housing needs in Fayette County.

Emerge Development acquired 531 West Fifth Street in April of 2015. At the time of purchase there were two structures on the 531 lot, a 2,400 SF 4-plex with the second structure being a 500 SF house having the alternate address 509 Smith Street. The properties were acquired as part of a multiple property deal which also included 535 & 537 West Fifth Street. At the time of purchase the 535 lot was vacant and the 537 lot had a 900 SF house. It was determined that none of the structures were suitable for human occupancy due to numerous egregious building and fire code violations and sanitary conditions. Existing tenants were relocated by the previous owner prior to Emerge Development's purchase of the properties.

Emerge Development is pursuing funding for the rehabilitation of the 4-plex only. It was determined that rehabilitation of the other structure on the 531 lot was not viable and the structure has been demolished. Future development of the 535 and 537 lots is planned.

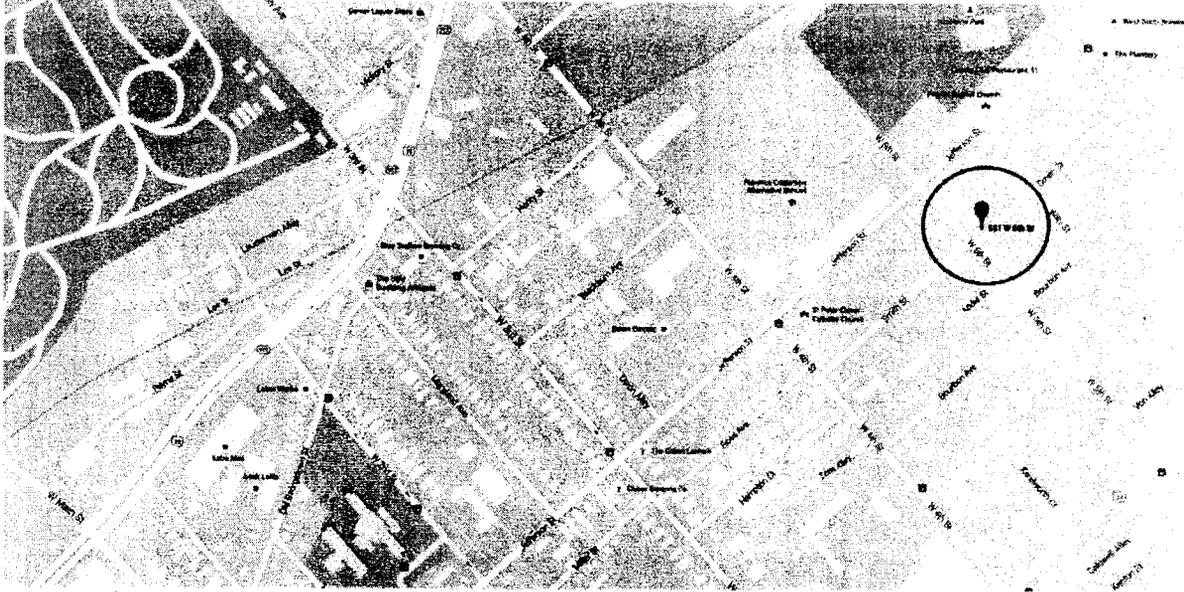
Rehabilitation of the 531 West Fifth Street 4-plex will have a marked impact on the stock of affordable, safe and well maintained housing in the neighborhood. Prior to purchase and rehabilitation by Emerge, the 4-plex did not provide a satisfactory level of comfort, quality of life or safety to tenants. Funding will be utilized to address the following property deficiencies:

- (a) Lack of air conditioning
- (b) All space heating provided by a single gas fired radiant heater in each unit
 - (i) Units posed significant fire and safety risk
 - (ii) Did not provide sufficient heating for comfort which resulted in tenants using electric space heaters (additional fire risk)
- (c) No insulation in floors or walls
- (d) Lack of on site laundry
- (e) Unsecured entry
- (f) Outdated electrical system
- (g) Leaky roof system
- (h) Extreme roach and mouse infestation

EMERGE

DEVELOPMENT

C. A Location Map identifying neighborhood amenities



Property is conveniently located less than one mile from multiple amenities including:

- LexTran Transit Center
- Coolavin Park
- LFUCG Offices
- Public Schools
- Secondary Education Institutions

EMERGE

DEVELOPMENT

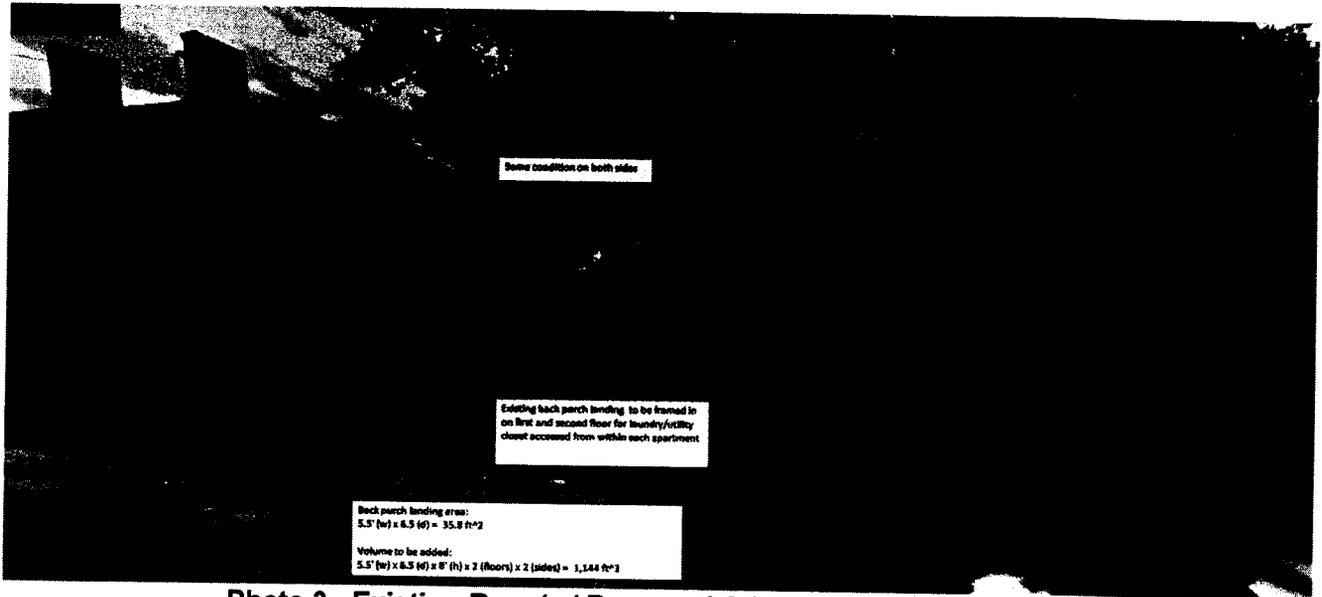


Photo 3 - Existing Rear (w/ Proposed Addition Framing)

EMERGE

DEVELOPMENT

Electrical | The electrical system is outdated and not up to current codes. Several instances of corroded and burnt electrical connections were uncovered during inspection and interior demolition (see photo below). Many rooms do not have overhead lights or adequate number of outlets.



Photo 4 - Example of burned wiring

HVAC | There is currently no air conditioning and space heating is provided by a single gas fired unit heater located in each unit's living room. Beyond posing a fire and safety hazard this system does not provide adequate space heating for occupant comfort.

Kitchen and bathroom exhaust fans are not currently installed in the units.

Appliances | The existing appliances are either inoperable or past their expected service life.

EMERGE

DEVELOPMENT

Electrical | The electrical system is outdated and not up to current codes. Several instances of corroded and burnt electrical connections were uncovered during inspection and interior demolition. The electrical system will be fully replaced back to the meter and new breaker panels, fixtures and control devices installed.

HVAC | There is currently no air conditioning and space heating is provided by a single gas fired unit heater located in each unit's living room. Beyond posing a fire and safety hazard this system does not provide adequate space heating for occupant comfort. This will be replaced with an energy efficient mini-split heat pump system. Beyond being energy efficient, the mini-split systems do not take up floor space and are low maintenance.

Kitchen and bathroom exhaust fans are not currently installed in the units. These will be installed during rehabilitation.

Appliances | The existing appliances are either inoperable or past their expected service life. All appliances will be replaced with EnergyStar rated products where possible. The building does not currently have laundry facilities on site. Stackable washer/dryers will be provided in each unit.

Acquisition Description

531 West 5th Street (alternate address 509 Smith Street), two structures on a single lot zoned R-3. Purchased on 04.24.2015 as part of a multiple property acquisition along West 5th Street.

509 Smith Street - Single floor, 518 SF residence to be demolished

531 West 5th Street - Two floor 2,408 SF 4-plex to be remodeled

Multiple Property Acquisition Cost	\$220,000
531 West 5th Street Basis	\$129,169 ^{(V)*}

Redevelopment Information

Total Project Cost (TPC)	\$320,199
Building Size	2,408 SF
Number of 1-Bdrm Units	4
Market Monthly Rental Rate	\$650 ^(V)
Affordable Monthly Rental Rate	\$650 ^(V)
Market Rate Units	2 of 4 ^(V)
Affordable Rate Units	2 of 4 ^(V)

Financing Description

Project will utilize two forms of financing provided by the Lexington Fayette Urban County Government (LFUCG) Affordable Housing Fund (AHF):

- 1) Forgivable Debt - Will serve as a developers fee
- 2) Low Interest Loan - Will fund acquisition and redevelopment costs

	Contribution
Cash Equity	30.3% \$97,169
LFUCG AHF Forgivable Debt	15.0% \$48,030
LFUCG AHF Low Interest Loan	54.7% \$175,000

Financing - LFUCG AHF Low Interest Loan

LTPC	54.7%
UPB	\$175,000 ^(V)
Interest Rate	2.00% ^(V)
Term (years)	15 ^(V)
Amortization (months)	240 ^(V)
I/O Period (months)	12 ^(V)
Deed Restriction Period (years)	15

Financing - LFUCG AHF Forgivable Debt

LTPC	15.0% ^(V)
Forgivable Debt Amount	\$48,030 ^(V)
Deed Restriction Period (years)	5

Financial Model Results

Assumed Capitalization Rate at Sale	7.8% ^(V)
Assumed Transaction Cost at Sale*	38.0% ^(V)
Asset Sale	\$165,542
Yield (Year 5)	10.96%
Yield (Year 15)	22.23%
IRR	17.41%

*Notes: (V) - Indicates variable used in Financial Analysis calculations

Transaction cost is increased to account for depreciation and capital gains on asset sale in year 15

Category	USD (\$)	Pct.	Source*
HVAC	\$19,800	14%	E
Electric	\$16,000	11%	Q
Drywall	\$16,000	11%	E
Plumbing	\$11,000	8%	E
Flooring	\$11,000	8%	E
Framing - Repairs to Existing Structure	\$8,000	6%	E
Appliances - Kitchen	\$8,000	6%	E
Sitework	\$6,000	4%	E
Demolition - Interior of Existing Structure	\$6,000	4%	E
Trim & Hardware	\$6,000	4%	E
Roof Repair - Chimney Removal	\$6,000	4%	E
Demolition - Existing Structure at 509 Smith Street	\$5,800	4%	A
General Labor	\$5,000	3%	E
Cabinets & Counters	\$4,000	3%	E
Appliances - Washer/Dryer	\$3,200	2%	E
Insulation	\$3,000	2%	E
Framing - Enclose Washer/Dryer Area	\$2,500	2%	E
Water Heaters	\$1,500	1%	E
Siding Repair	\$1,500	1%	E
Tree Trimming	\$1,500	1%	E
Windows	\$1,200	<1%	E
Total Redevelopment Budget	\$143,000		
Redevelopment Cost per Square Foot	\$59		

*Notes: E = Estimate ; Q = Quote ; A = Actual

Loan Terms	Start / End Date	9/1/15															
		2015e	2016e	2017e	2018e	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e
Date of Terms:	TBD	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Yr 11	Yr 12	Yr 13	Yr 14	Yr 15	Total
UPB: \$175,000	UPB (Beg.):	\$175,000	\$175,000	\$167,876	\$160,610	\$153,199	\$145,640	\$137,929	\$130,064	\$122,042	\$113,859	\$105,512	\$96,999	\$88,316	\$79,458	\$70,424	-
LTPC: 54.7%	Interest:	\$3,500	\$3,500	\$3,358	\$3,212	\$3,064	\$2,913	\$2,759	\$2,601	\$2,441	\$2,277	\$2,110	\$1,940	\$1,766	\$1,589	\$1,408	\$38,439
Interest Rate: 2.00%	Principal:	\$0	\$7,124	\$7,266	\$7,411	\$7,560	\$7,711	\$7,865	\$8,022	\$8,183	\$8,346	\$8,513	\$8,684	\$8,857	\$9,034	\$9,215	\$113,791
Term (yrs): 15	P & I:	\$3,500	\$10,624	\$10,624	\$10,624	\$10,624	\$10,624	\$10,624	\$10,624	\$10,624	\$10,624	\$10,624	\$10,624	\$10,624	\$10,624	\$10,624	\$152,230
Amortization (mths): 240	UPB (End.):	\$175,000	\$167,876	\$160,610	\$153,199	\$145,640	\$137,929	\$130,064	\$122,042	\$113,859	\$105,512	\$96,999	\$88,316	\$79,458	\$70,424	\$61,209	-
I/O Period: 12																	

Total Fees	\$2,000	2015e	2016e	2017e	2018e	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	Total
Appraisal:	NOI:	\$12,453	\$13,811	\$15,600	\$15,797	\$16,009	\$16,561	\$17,129	\$17,477	\$18,079	\$18,700	\$19,078	\$19,737	\$20,415	\$20,826	\$21,546	\$161,615
Origination:	Debt SVC:	\$3,500	\$10,624	\$10,624	\$10,624	\$10,624	\$10,624	\$10,624	\$10,624	\$10,624	\$10,624	\$10,624	\$10,624	\$10,624	\$10,624	\$10,624	\$99,112
Flood Cert:	Net Income:	\$8,953	\$3,187	\$4,976	\$5,173	\$5,386	\$5,937	\$6,505	\$6,853	\$7,456	\$8,076	\$8,455	\$9,113	\$9,791	\$10,203	\$10,922	\$62,503
Attorney:																	
Mtg/Deed Recing:																	

Asset Sale \$165,542
 Cap Rate: 7.8%
 Transaction Cost: 38.0%
 Total Debt SVC (w/ fees): \$101,112
 Payoff Amount: \$61,209
 Net Proceeds: \$104,333

EMERGE

Development

531 West Fifth Street Rehabilitation Team

Note that 531 West Fifth Street is owned and operated by Emerge Development. A separate sister company, Emerge Contracting, will conduct all work associated with the properties rehabilitation.

EMERGE

Development

- Pioneered the NPV-based “cash-for-keys” model (\$5 – 30k for relocation assistance), including approval and operational implementation
- Recognized for enthusiastic attitude to problem-solving; applied institutional-scale discipline while maintaining a forward-thinking prioritization; 3 Platinum Global Recognition Awards for outstanding leadership

ASSETPLANUSA

Los Angeles, CA

Vice President, Business Development & Interim CFO

Oct '09 – Jun '10

Co-founded a third-party short sale company for lenders/servicers, from concept to investor capital return within one year.

- Grew monthly revenue from \$0 to \$300k within six months; responsible for investor relations, payroll, weekly cash reports & revenue share agreements
- Architected the design of people, process, & technology to complete 5,000 short sales per month; including a multi-tenant SaaS customization, E2E process manuals, & a realtor-management database

WMD CAPITAL MARKETS

Santa Barbara, CA

Associate, RMBS & whole loan desk

Mar '07 – Sep '07

Managed investment deal flow from Goldman Sachs, Deutsche Bank, and other firms; typical deal size between \$25 mn - \$100 mn. Completed due diligence and underwriting on the acquisition of \$63 mn of distressed debt.

- Developed investment case assumptions involving sensitivity analysis of complex structured securities; lead analyst for a \$117 mn pool of 4,200 1st & 2nd lien mortgages restructured into a whole loan package; revealed a \$10 mn residual value in a pool of bonds trading for \$4 mn

U.S. ARMY AIRBORNE INFANTRY

Hawaii / Iraq

Sergeant, Squad Leader (2-27 Infantry Bn “Wolfhounds”)

May '03 – May '06

- Handpicked for missions with Green Berets & Delta during a 13 month tour (300+ combat patrols); achieved written & conversational Arabic through private instruction; promoted meritoriously & decorated

EDUCATION

M.B.A. ('09, 3.5 GPA), **UCLA ANDERSON SCHOOL OF MANAGEMENT**

Los Angeles, CA

B.A., Economics ('02, *cum laude*), **UNIVERSITY OF KENTUCKY**

Lexington, KY

EMERGE

Development

benclements@emergelex.com

EMERGE PROPERTY & EMERGE CONTRACTING

Development Associate

Manage construction, development, and management of properties in portfolio, as well as construction estimates on external jobs.

Lexington, KY

Nov. '14 – Present

- Provided technical expertise on MEP projects
- Generate development feasibility plans
- Asses zoning requirements

CODEGREEN SOLUTIONS

Energy Project Manager

- Served as technical advisor to property managers on base building system upgrades for increased energy efficiency (centrifugal electric, steam turbine & steam absorption chillers, cooling towers, boiler plants and installation of VFDs)
- Conducted feasibility studies and preliminary cost estimates for installation of cogeneration plants (combined heat and power) and auxiliary generators to be installed in commercial office and multifamily residential facilities
- Managed engineering teams to complete ASHRAE Level II Energy Audits and Retro-Commissioning Studies of numerous large (300,000 SF - 1,200,000 SF) commercial office buildings

New York, NY

9/13-10/14

EME Group

Senior Associate Mechanical Engineer

- Gained solid understanding and working knowledge of mechanical equipment through hands on experience with chillers, dry coolers, cooling towers, condensing boilers, variable frequency drives (VFD), variable refrigerant volume systems, ground source heat pumps, air handling units and lighting controls
- Evaluated existing facility mechanical infrastructure to identify mechanical and control device deficiencies and opportunities for system optimization through modification of control logic
- Generated utility cost savings calculations, implementation cost estimates and payback estimates
- Managed all aspects of the commissioning process for new buildings from project inception through close out on numerous large scale (120,000+ SF) LEED certified projects throughout the New York City area
- Developed project documents for all phases of the commissioning and retro-commissioning process; Commissioning Specification, Owners Project Requirements, Basis of Design, Cx Plan and Test Procedures
- Conducted design reviews and submittal reviews with design teams
- Coordinated with contractors and equipment manufacturers representatives and lead functional testing of mechanical equipment, including troubleshooting and documentation of deficiencies encountered

New York, NY

11/10-9/13

URS

Mechanical Engineer

- Developed System Design Specifications for the Comanche Peak Nuclear Generating Facility, Units 3 & 4
- Drafted and reviewed equipment specifications and system calculations for industrial equipment including; plate and frame heat exchangers, nitrogen blanketing system, city water booster

Princeton, NJ

06/08-10/10

Acquisition Description

531 West 5th Street (alternate address 509 Smith Street), two structures on a single lot zoned R-3. Purchased on 04.24.2015 as part of a multiple property acquisition along West 5th Street.

509 Smith Street - Single floor, 518 SF residence to be demolished

531 West 5th Street - Two floor 2,408 SF 4-plex to be remodeled

Multiple Property Acquisition Cost	\$220,000
531 West 5th Street Basis	\$129,169 ^(V)

Redevelopment Information

Total Project Cost (TPC)	\$320,199
Building Size	2,408 SF
Number of 1-Bdrm Units	4
Market Monthly Rental Rate	\$650 ^(V)
Affordable Monthly Rental Rate	\$650 ^(V)
Market Rate Units	2 of 4 ^(V)
Affordable Rate Units	2 of 4 ^(V)

Financing Description

Project will utilize two forms of financing provided by the Lexington Fayette Urban County Government (LFUCG) Affordable Housing Fund (AHF):

- 1) Forgivable Debt - Will serve as a developers fee
- 2) Low Interest Loan - Will fund acquisition and redevelopment costs

	<u>Contribution</u>	
Cash Equity	30.3%	\$97,169
LFUCG AHF Forgivable Debt	15.0%	\$48,030
LFUCG AHF Low Interest Loan	54.7%	\$175,000

Financing - LFUCG AHF Low Interest Loan

LTPC	54.7%
UPB	\$175,000 ^(V)
Interest Rate	2.00% ^(V)
Term (years)	15 ^(V)
Amortization (months)	240 ^(V)
I/O Period (months)	12 ^(V)
Deed Restriction Period (years)	15

Financing - LFUCG AHF Forgivable Debt

LTPC	15.0% ^(V)
Forgivable Debt Amount	\$48,030 ^(V)
Deed Restriction Period (years)	5

Financial Model Results

Assumed Capitalization Rate at Sale	7.8% ^(V)
Assumed Transaction Cost at Sale*	38.0% ^(V)
Asset Sale	\$165,542
Yield (Year 5)	10.96%
Yield (Year 15)	22.23%
IRR	17.41%

*Notes: (V) - Indicates variable used in Financial Analysis calculations

Transaction cost is increased to account for depreciation and capitol gains on asset sale in year 15

Capital Stack	USD (\$)	Pct.
Cash Equity (30.3% of LTFC)	\$97,169	30%
LFUCG AHF Forgivable Debt (15.0% of LTFC)	\$48,030	15%
LFUCG AHF Low Interest Loan (54.7% of LTFC)	\$175,000	55%
Sub-Total	\$320,199	

Incentives	USD (\$)	Pct.
None		
Sub-Total	\$0	

Uses of Proceeds	USD (\$)	Pct.
Acquisition	\$129,169	40%
Redevelopment Budget	\$143,000	45%
Developers Fee	\$48,030	15%
Sub-Total	\$320,199	

Category	USD (\$)	Pct.	Source*
HVAC	\$19,800	14%	E
Electric	\$16,000	11%	Q
Drywall	\$16,000	11%	E
Plumbing	\$11,000	8%	E
Flooring	\$11,000	8%	E
Framing - Repairs to Existing Structure	\$8,000	6%	E
Appliances - Kitchen	\$8,000	6%	E
Sitework	\$6,000	4%	E
Demolition - Interior of Existing Structure	\$6,000	4%	E
Trim & Hardware	\$6,000	4%	E
Roof Repair - Chimney Removal	\$6,000	4%	E
Demolition - Existing Structure at 509 Smith Street	\$5,800	4%	A
General Labor	\$5,000	3%	E
Cabinets & Counters	\$4,000	3%	E
Appliances - Washer/Dryer	\$3,200	2%	E
Insulation	\$3,000	2%	E
Framing - Enclose Washer/Dryer Area	\$2,500	2%	E
Water Heaters	\$1,500	1%	E
Siding Repair	\$1,500	1%	E
Tree Trimming	\$1,500	1%	E
Windows	\$1,200	<1%	E
Total Redevelopment Budget	\$143,000		
Redevelopment Cost per Square Foot	\$59		

*Notes: E = Estimate : Q = Quote : A = Actual

1.3 - Cash Flow Analysis

Emerge Development

531 West 5th Street

Start / End Date	2015e	2016e	2017e	2018e	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e
Cash Flow	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Yr 11	Yr 12	Yr 13	Yr 14	Yr 15	Total
Investment	(\$97,169)															
Developers Fee	\$48,030															
Cash Flow Distributions	\$8,953	\$3,187	\$4,976	\$5,173	\$5,386	\$5,937	\$6,505	\$6,853	\$7,456	\$8,076	\$8,455	\$9,113	\$9,791	\$10,203	\$10,922	
Sale Distributions																
Sub-Total	(\$40,186)	\$3,187	\$4,976	\$5,173	\$5,386	\$5,937	\$6,505	\$6,853	\$7,456	\$8,076	\$8,455	\$9,113	\$9,791	\$10,203	\$10,922	\$104,333
Operating Revenue	2015e	2016e	2017e	2018e	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	Total
Projected Rental Revenue																
Gross Revenue	\$26,520	\$28,922	\$31,445	\$32,388	\$33,360	\$34,361	\$35,392	\$36,453	\$37,547	\$38,673	\$39,834	\$41,029	\$42,260	\$43,527	\$44,833	\$546,545
Operating Expenses	2015e	2016e	2017e	2018e	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	Total
Utility - Electric	\$6,288	\$6,477	\$6,671	\$6,871	\$7,077	\$7,290	\$7,508	\$7,733	\$7,965	\$8,204	\$8,451	\$8,704	\$8,965	\$9,234	\$9,511	\$116,950
Insurance	\$2,882	\$2,968	\$3,057	\$3,149	\$3,243	\$3,341	\$3,441	\$3,544	\$3,651	\$3,760	\$3,873	\$3,989	\$4,109	\$4,232	\$4,359	\$53,598
Property Tax	\$759	\$1,405	\$1,728	\$2,051	\$2,373	\$2,373	\$2,373	\$2,611	\$2,611	\$2,611	\$2,872	\$2,872	\$2,872	\$3,159	\$3,159	\$35,829
Maintenance	\$1,300	\$1,339	\$1,379	\$1,421	\$1,463	\$1,507	\$1,552	\$1,599	\$1,647	\$1,696	\$1,747	\$1,800	\$1,853	\$1,909	\$1,966	\$24,179
Utility - Sewer	\$960	\$989	\$1,018	\$1,049	\$1,080	\$1,113	\$1,146	\$1,181	\$1,216	\$1,253	\$1,290	\$1,329	\$1,369	\$1,410	\$1,452	\$17,855
Utility - Water	\$877	\$904	\$931	\$959	\$988	\$1,017	\$1,048	\$1,079	\$1,111	\$1,145	\$1,179	\$1,215	\$1,251	\$1,288	\$1,327	\$16,319
Miscellaneous	\$500	\$515	\$530	\$546	\$563	\$580	\$597	\$615	\$633	\$652	\$672	\$692	\$713	\$734	\$756	\$9,299
Management	\$500	\$515	\$530	\$546	\$563	\$580	\$597	\$615	\$633	\$652	\$672	\$692	\$713	\$734	\$756	\$9,299
Total Operating Expenses*	\$14,067	\$15,111	\$15,845	\$16,592	\$17,351	\$17,800	\$18,263	\$18,977	\$19,468	\$19,974	\$20,756	\$21,292	\$21,845	\$22,701	\$23,287	\$283,328
Net Operating Income	\$12,453	\$13,811	\$15,600	\$15,797	\$16,009	\$16,561	\$17,129	\$17,477	\$18,079	\$18,700	\$19,078	\$19,737	\$20,415	\$20,826	\$21,546	\$263,217
Annual Debt SVC	\$3,500	\$10,624	\$152,230													
Annual Net Income	\$8,953	\$3,187	\$4,976	\$5,173	\$5,386	\$5,937	\$6,505	\$6,853	\$7,456	\$8,076	\$8,455	\$9,113	\$9,791	\$10,203	\$10,922	\$110,987

Notes: Per LFUCG PVA property tax rate will be 1.19% of assessed property value; see tab 1.5 for calculation
 Model assumes all other Operating Expenses increase 3% annually
 Insurance expenses based on current expenses on similar properties. 09% of property value
 Owner pays for water. annual per unit cost based on assumption: (1) Usage: 120 gal. / day / unit (2) Utility Cost \$0.5008 / 100 gal
 Electricity cost is estimate based on full property load calculation

Loan Terms	Date	Start / End Date																	
		2015e	2016e	2017e	2018e	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2026e	2027e	2028e	2029e	2030e	
Date of Terms:	TBD	9/1/15																	9/1/30
UPB:	\$175,000	UPB (Beg.):	\$175,000	\$175,000	\$167,876	\$160,610	\$153,199	\$145,640	\$137,929	\$130,064	\$122,042	\$113,859	\$105,512	\$96,999	\$88,316	\$79,458	\$70,424		Total
LTPC:	54.7%	Interest:	\$3,500	\$3,500	\$3,358	\$3,212	\$3,064	\$2,913	\$2,759	\$2,601	\$2,441	\$2,277	\$2,110	\$1,940	\$1,766	\$1,589	\$1,408		\$38,439
Interest Rate:	2.00%	Principal:	\$0	\$7,124	\$7,266	\$7,411	\$7,560	\$7,711	\$7,865	\$8,022	\$8,183	\$8,346	\$8,513	\$8,684	\$8,857	\$9,034	\$9,215		\$113,791
Term (yrs):	15	P & I:	\$3,500	\$10,624	\$10,624	\$10,624	\$10,624	\$10,624	\$10,624	\$10,624	\$10,624	\$10,624	\$10,624	\$10,624	\$10,624	\$10,624	\$10,624		\$152,230
Amortization (mnts):	240	UPB (End.):	\$175,000	\$167,876	\$160,610	\$153,199	\$145,640	\$137,929	\$130,064	\$122,042	\$113,859	\$105,512	\$96,999	\$88,316	\$79,458	\$70,424	\$61,209		-
I/O Period:	12																		

Total Fees	\$2,000	Date	2015e	2016e	2017e	2018e	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2026e	2027e	2028e	2029e	Total
Appraisal:	-	NOI:	\$12,453	\$13,811	\$15,600	\$15,797	\$16,009	\$16,561	\$17,129	\$17,477	\$18,079	\$18,700	\$19,078	\$19,737	\$20,415	\$20,826	\$21,546	\$161,615	
Origination:	-	Debt SVC:	\$3,500	\$10,624	\$10,624	\$10,624	\$10,624	\$10,624	\$10,624	\$10,624	\$10,624	\$10,624	\$10,624	\$10,624	\$10,624	\$10,624	\$10,624	\$10,624	\$99,112
Flood Cert:	-	Net Income:	\$8,953	\$3,187	\$4,976	\$5,173	\$5,386	\$5,937	\$6,505	\$6,853	\$7,456	\$8,076	\$8,455	\$9,113	\$9,791	\$10,203	\$10,922	\$62,503	
Attorney:	-																		
Mtg/Deed Recing:	-																		

Asset Sale \$165,542
 Cap Rate: 7.8%
 Transaction Cost: 38.0%
 Total Debt SVC (w/fees): \$101,112
 Payoff Amount: \$61,209
 Net Proceeds: \$104,333

1.5 - Revenue + Expense Model

Emerge Development

531 West 5th Street

Start / End Date	9/1/15	2015e	2016e	2017e	2018e	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	9/1/30	
Operating Revenue		Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Yr 11	Yr 12	Yr 13	Yr 14	Yr 15	Total		
Annual Rental Rate Increase	0%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%			
Annual Vacancy Rate	15%	10%	10%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%			
Market Rate Rental Revenue	\$13,260	\$14,461	\$15,723	\$16,194	\$16,680	\$17,180	\$17,696	\$18,227	\$18,774	\$19,337	\$19,917	\$20,514	\$21,130	\$21,764	\$22,417	\$273,273			
Affordable Rate Rental Revenue	\$13,260	\$14,461	\$15,723	\$16,194	\$16,680	\$17,180	\$17,696	\$18,227	\$18,774	\$19,337	\$19,917	\$20,514	\$21,130	\$21,764	\$22,417	\$273,273			
Gross Projected Revenue	\$26,520	\$28,922	\$31,445	\$32,388	\$33,360	\$34,361	\$35,392	\$36,453	\$37,547	\$38,673	\$39,834	\$41,029	\$42,260	\$43,527	\$44,833	\$546,545			
Property Tax Expense	2015e	2016e	2017e	2018e	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e			
Tax Rate	1.1867%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
PVA Fair Cash Value	\$64,000	\$118,400	\$145,600	\$172,800	\$200,000	\$200,000	\$200,000	\$200,000	\$220,000	\$220,000	\$220,000	\$220,000	\$242,000	\$242,000	\$242,000	\$266,200	\$266,200		
Projected Property Tax	\$759	\$1,405	\$1,728	\$2,051	\$2,373	\$2,373	\$2,373	\$2,373	\$2,611	\$2,611	\$2,611	\$2,872	\$2,872	\$2,872	\$3,159	\$3,159	\$35,829		

EXHIBIT B
(Executed Commitment Letter)



LEXINGTON - FAYETTE URBAN COUNTY GOVERNMENT
Department of Planning, Preservation & Development

Jim Gray
Mayor

Derek J. Paulsen, Ph.D.
Commissioner

September 21, 2015

Benjamin Clements, Partner
Emerge Development
941 National Avenue, Suite 120
Lexington, KY. 40502

Dear Mr. Clements,

This letter serves as a contingent commitment of funds from the Affordable Housing Fund of Lexington Fayette Urban County Government (LFUCG) for the Smith Town Flats development described in your application dated August 3, 2015.

The Affordable Housing Fund Board has approved an allocation of a first mortgage loan totaling \$223,030 for the development. Of this amount, \$175,000 will be repaid at a rate of 2% with a 15 year term and 20 year amortization. The remaining \$48,030 will be forgiven over the 15 year period as long as the units remain affordable to households at or below 80% of area median income in Fayette County, Kentucky.

A 1% fee totaling \$2,230.30 will be charged and due at closing.

This funding commitment is contingent upon the following:

1. Emerge Development accepts a 15 year deed restriction that will ensure the rental units are leased to households whose income is less than 80% of area median income.

H O R S E C A P I T A L O F T H E W O R L D

101 East Vine Street, Suite 400 Lexington, KY 40507 (859) 258-3018 FAX (859) 258-3163 www.lexingtonky.gov

EXHIBIT C
(Schedule)

EXHIBIT D
(Executed Promissory Notes and Mortgages)

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

\$48,030.00

November 19, 2015

FOR VALUE RECEIVED, **EMERGE DEVELOPMENT, LLC**, A KENTUCKY LIMITED LIABILITY COMPANY, whose address is 941 National Avenue, Suite 120, Lexington, Kentucky 40502 (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 **FORTY-EIGHT THOUSAND AND THIRTY AND 00/100 DOLLARS** (\$48,030.00) or lesser amount as may be endorsed on this Forgivable Promissory Note on behalf of LFUCG, at the rate of zero percent (0%) per annum

A. Payments shall be required as follows:

1. Interest on the outstanding principal *calculated in the manner set forth below* shall be due and payable in arrears on the 1st day of each month beginning on June 1, 2016 and continuing on the *first* day of each succeeding month thereafter until the principal balance shall be paid in full.
2. 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, LFUCG reserves the right to apply payments in its sole discretion;
3. 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.
4. All 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.
5. 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 June 1, 2031, (the "Maturity Date")

B. However, so long as the Maker ensures the Affordability Period of a minimum of fifteen (15) years from the date Funds are first expended on the Project as defined in Section 3.3 of the Loan Agreement AND that no event of breach or default as defined in Sections 5.1 and 5.2 of the Loan Agreement has occurred without cure or continues to occur without cure, the Maker's obligation to pay this Forgivable Loan Promissory Note shall be forgiven. The Loan shall be forgiven as follows:

1. 1/15th of the above-stated principal sum shall be forgiven beginning on June 1, 2017 and each year thereafter for each full year during the Affordability Period.
2. The entire principal sum shall be forgiven in full on June 1, 2031, (the "Maturity Date"), as long as all terms and conditions of all Loan Documents have been satisfactorily complied and fulfilled.

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 September 21, 2015, and a Housing Rehabilitation Loan Agreement between the undersigned and LFUCG ("Rehabilitation Loan Agreement"), of even date herewith, providing a Forgivable loan of **FORTY-EIGHT THOUSAND AND THIRTY AND 00/100 DOLLARS (\$48,030.00)** and this Note is expressly subject to and will be bound by the terms and conditions set forth in such Commitment and Rehabilitation 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.

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; (iii) all reasonable costs and expenses including court costs and reasonable attorney's fees incurred in collecting any of the foregoing.

Emerge Development, LLC

By:

Title:

[Signature]
Partner - EmERGE Development

COMMONWEALTH OF KENTUCKY)

COUNTY OF Fayette)

Subscribed, sworn to and acknowledged before me this 19 day of November, 2015, by Ben Clements, as Partner of EmERGE Development, LLC, a Kentucky limited liability company, for and on behalf of said EmERGE Development, LLC.

My commission expires: 11/29/2015

[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
PROMISSORY NOTE**

\$175,000.00

November 19, 2015

FOR VALUE RECEIVED, **EMERGE DEVELOPMENT, LLC**, a Kentucky limited liability company, whose address is 941 National Avenue, Suite 120, Lexington, Kentucky 40502 (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 **ONE HUNDRED AND SEVENTY-FIVE THOUSAND AND 00/100 DOLLARS (\$175,000.00)** 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 two percent (2%) 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 on the 1st day of each month beginning on June 1, 2016 and continuing on the *first* day of each succeeding month thereafter 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, 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 June 1, 2031. (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 September 21, 2015, and a Housing Rehabilitation Loan Agreement between the undersigned and LFUCG ("Rehabilitation Loan Agreement"), of even date herewith, providing for an amortizing loan of **ONE HUNDRED AND SEVENTY-FIVE THOUSAND AND 00/DOLLARS (\$175,000.00)** and this Note is expressly subject to and will be bound by the terms and conditions set forth in such Commitment and Rehabilitation

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.

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

EXHIBIT E
(Property Description)

A certain tract or parcel lying in Lexington, Fayette County, Kentucky on the North corner of Fifth and Smith Streets, fronting on Fifth Street thirty (30) feet and extending back in a Northerly direction One Hundred Seven (107) feet on Smith Street; said property being designated as 531-535 West Fifth Street and 509 Smith Street.

Being the same property conveyed to Warren D. McIntyre, Trustee under the Warren D. McIntyre Revocable Trust Agreement dated August 28, 1997, by Warren D. McIntyre as Trustor and Trustee, and Donna D. McIntyre, Trustee under the Donna D. McIntyre Revocable Trust Agreement dated August 28, 1997, by Donna D. McIntyre as Trustor and Trustee, by deed dated September 25, 1997, of record in Deed Book 1940, Page 498, in the Fayette County Clerk's Office.