

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

THIS PRE-DEVELOPMENT LOAN AGREEMENT ("Agreement") is made and entered into this 23 day of June 2016 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 **AU ASSOCIATES, INC.**, a Kentucky corporation, whose principal address is 159 Old Georgetown Street, Lexington, Kentucky 40508 ("Borrower").

WITNESSETH:

WHEREAS, pursuant to Chapter 2, Article XXXXV, Section 2-482 of the Lexington-Fayette 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 XXXXV, Section 2-479 of the Code, the Affordable Housing Governing Board ("the Board") oversees and manages the administration of the Fund; and

WHEREAS, Borrower by application dated May 18, 2016 (the "Application"), attached hereto as Exhibit A, has applied for and has received approval by the Board 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 19th day of May, 2016, LFUCG issued to Borrower a Commitment Letter under LFUCG's Affordable Housing Fund Program (hereinafter referred to as the "Program") which was accepted by Borrower ("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 pre-construction or pre-development activities.

NOW, THEREFORE, in consideration of the covenants set out herein, the parties agree as follows:

ARTICLE 1 - COMMITMENT

1.1 LFUCG'S COMMITMENT. Pursuant to the Application and this

Agreement, LFUCG agrees to loan an amount not to exceed **TWO HUNDRED AND THIRTY THOUSAND AND 00/100 DOLLARS (\$230,000.00)** to Borrower from the Fund. 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 in the form of a repayable loan for the term of **six (6) months** from the date of this Agreement. The Loan shall be at two percent (2%) interest for the six-month period and shall be repaid in full at the end of the six (6) months or on January 1, 2017, whichever occurs first. The funds will be expended only for the purpose of pre-construction and pre-development costs and expenses, described below in Section 1.3 – Eligible Activity and in conformity with the other provisions of this Agreement. Further, LFUCG will not be required to advance any amount under this Agreement if an Event of Default, as defined by Article 4, has occurred and is continuing.

1.2 MORTGAGE; OTHER SECURITY. The performance of the Borrower's obligation of the Agreement, is secured by obligations under this Agreement shall be secured by a guaranty signed by AU Associates, Inc. ("the Guaranty"), attached hereto as Exhibit C.

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 pre-construction and/or pre-development expenses incurred during the acquisition and rehabilitation of Parkside III Development on real property located at 1044 – 1048 Cross Keys Road, Lexington, Kentucky (more particularly described in Exhibit D attached hereto and incorporated herein by reference) (the "Property") specified as follows:

- (a) Architect Fees
- (b) Environmental and Geotech Survey
- (c) Survey and Appraisal
- (d) Application Fees
- (e) Fees related to obtaining Housing Credits
- (f) Market Study and Rental Comp
- (g) Loan Fees and Interest

1.4 SITES. In the event the Project includes new pre-construction activities and/or pre-development activities, Borrower must identify those activities. Once identified, the eligible activity may not be changed, removed or substituted without prior written approval of LFUCG's Office of Affordable Housing.

ARTICLE 2 - REPRESENTATIONS AND WARRANTIES OF BORROWER

2.1 Borrower understands and acknowledges that projects assisted with LFUCG Affordable Housing Funds 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.

2.2 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.

2.3 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.

2.4 There are no actions, suits or proceedings pending or, to the knowledge of the Borrower, threatened against or affecting it or the Project 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.

2.5 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.

2.6 Borrower warrants and acknowledges that at the time the Borrower obtains ownership of the property a Five (5) year Deed Restriction will be placed on the

property.

ARTICLE 3 – REQUIREMENTS FOR DISBURSEMENT

3.1 DISBURSEMENT OF FUNDS. 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; and
- (c) Proof of costs and expenses incurred in adherence to LFUCG's requirements for draws and inspections for the Program activity under this Agreement (expense reimbursement); and
- (d) Execution of the Guaranty by AU Associates, Inc. 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 AFFORDABILITY PERIOD. Property assisted with LFUCG Affordable Housing Funds must be restricted to remain affordable to households 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), upon completion of all rehabilitation work. The affordability period shall be a minimum of five (5) years from date LFUCG Affordable Housing Funds are first expended on each unit in the Project. If additional LFUCG Affordable Housing Fund dollars are requested, approved and used for rehabilitation or construction work, the affordability period shall be a minimum of fifteen (15) years. Affordability may be ensured by recorded deed restrictions.

3.3 SECTION 8 RENTAL ASSISTANCE. If LFUCG Affordable Housing Funds are used for pre-construction and/or pre-development of 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 LFUCG Affordable Housing Funds.

3.4 INSURANCE. For all properties assisted with LFUCG Affordable Housing Funds, the Borrower or Property Owner must maintain all risk, fire and extended coverage, in form and with companies acceptable to LFUCG, for each Unit of the Project and any improvements to be rehabilitated and constructed thereon in an amount of not less than the LFUCG Affordable Housing Funds made available to Borrower for each Unit of 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.

3.5 CLOSING COSTS. Regardless of whether or not LFUCG Affordable Housing Funds are disbursed under this Agreement, all costs associated with funding under this Agreement will be borne by the Borrower, including but not limited to the cost of attorneys fees, documentation, recording fees, and costs associated with disbursement.

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

3.7 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 – BREACH OR DEFAULT

4.1 RECAPTURE OF FUNDS; BREACH OF AGREEMENT. In the event of a breach, LFUCG may suspend Borrower's authority to draw LFUCG 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 LFUCG Affordable Housing Funds and/or require repayment of LFUCG 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 LFUCG Affordable Housing Funds have been awarded;
- (b) Borrower violates of any of the terms of this Agreement, the LFUCG Affordable Housing Governing Board guidelines and policies, the Note evidencing the Affordable Housing 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 5 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) 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
- (f) LFUCG determines in its sole discretion that it would be inadvisable to disburse LFUCG Affordable Housing Funds to Borrower because of a material and adverse change in Borrower's condition.

4.2 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 LFUCG Affordable Housing 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) Borrower discontinues the pre-construction and/or pre-development activities and this discontinuance of activities continues for a period of ten (60) days;
- (f) 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;
- (g) Borrower
- i. 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;
 - ii. 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;
 - iii. 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 undismissed for fifteen (15) days, or result in adjudication of bankruptcy or insolvency; or
- (h) Borrower is found to have violated any law or regulation, whether federal or state.

4.3 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 LFUCG 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 LFUCG Affordable Housing Funds.

4.4 MISAPPROPRIATION OF FUNDS. Borrower will be liable for any and all misappropriation of LFUCG 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 LFUCG Affordable Housing Funds drawn by Borrower in cases of breach involving misappropriation of funds or fraudulent uses of funds.

4.5 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.

4.6 PAYMENTS DUE TO DEFAULT. Borrower shall 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 5 – RECORDS; REPORTING

5.1 RECORDS; ACCESS. Borrower agrees to keep adequate records pertaining to the Project and the uses of LFUCG Affordable Housing 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 loan 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.

5.2 REPORTING REQUIREMENTS. Borrower agrees that all program and financial reports must be submitted as requested by LFUCG, on the forms provided by LFUCG, on annual basis. Beginning the first calendar quarter after Recipient receives a disbursement of LFUCG Affordable Housing Funds and every year thereafter.

5.3 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.

5.4 WARRANTY AS TO INFORMATION. Borrower acknowledges that its award of LFUCG 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.

5.5 PROGRAM COMPLIANCE. Borrower agrees to comply with LFUCG Affordable Housing Fund program guidelines, policies and criteria.

ARTICLE 6 - MISCELLANEOUS

6.1 NONLIABILITY 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.

6.2 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: AU Associates, Inc.
159 Old Georgetown
Lexington, Kentucky 40508
ATTN: Holly Wiedemann, President and CEO

LFUCG: Lexington-Fayette Urban County Government
200 East Main Street
Lexington, Kentucky 40507
ATTN: Richard McQuady, Affordable Housing Manager

6.3 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.

6.4 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 Lexington-Fayette County,
Code of Ordinances

6.5 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 or state 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.

6.6 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.

6.7 GOVERNING LAW. This Agreement and the loan referred to herein will be governed by the laws of the Commonwealth of Kentucky.

6.8 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.

6.9 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.

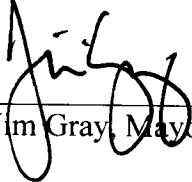
6.10 EXHIBITS. Any exhibits attached to this Agreement and the matters contained therein are incorporated herein and deemed to be a part hereof as if fully recited in this Agreement prior to the date of execution hereof.

6.11 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.

6.12 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.

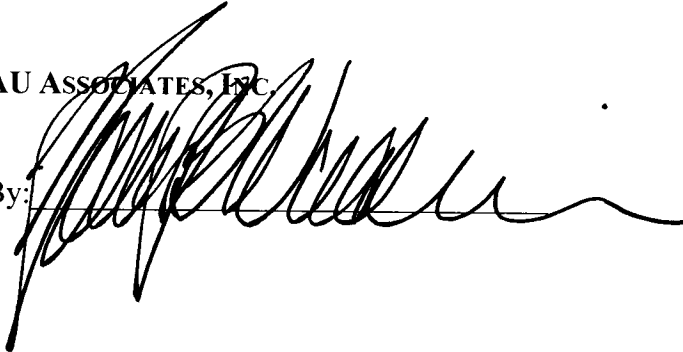
IN WITNESS WHEREOF, this Agreement is executed as of the day first written above.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT

By: 
Jim Gray, Mayor

ATTEST:

Clerk, Urban County Council

AU ASSOCIATES, INC.
By: 

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF FAYETTE)

Subscribed, sworn to and acknowledged before me this 15 day of June 2016, by Holly B. Wiedermann, on behalf of AU Associates, Inc.

My commission expires: 4-30-2020

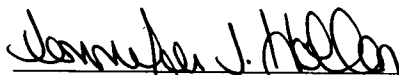
 # 555712
Notary Public

EXHIBIT A

(The LFUCG Affordable Housing Fund Application)

EXHIBIT A

May 18, 2016

City of Lexington AHTF
Attn: Mr. Richard McQuady
Lexington, KY 40507



RE: Parkside III – Pre-Development Loan Application

Mr. McQuady:

Please consider this our formal request and application for pre-development financing for the 36-unit affordable housing project – Phase 3 of Parkside on Cross Keys Drive.

We are seeking \$230,000 in predevelopment funds in order to jump start the project and to help induce construction in September 2016.

We anticipate the financing will be used for the following items:

- \$141,000 – Architecture and Planning
- \$11,000 – Survey
- \$5,500 Appraisal
- \$46,358 – Kentucky Housing Corporation Fees
- \$6,400 – Market Study
- \$15,000 – Environmental Reports and Geotechnical Studies
- \$4,742 – Legal Fee and Loan Interest

Total Request = \$230,000

Repayment of the predevelopment funds will happen concurrently with closing on the property and with the equity investor and construction lender on this project.

If you have any questions or need further information, please do not hesitate to contact me at 859-233-2009 or Johan@auassociates.com.

Sincerely,

Johan Graham
Director of Development
AU Associates, Inc.

AU Associates, Inc.
159 Old Georgetown Street
Lexington, Kentucky 40508
Telephone (859) 233-2009
Telefax (859) 259-0401
www.auassociates.com

EXHIBIT B
(Commitment Letter)



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

Jim Gray
Mayor

Derek J. Paulsen, Ph.D.
Commissioner

May 19, 2016

Ms. Holly Wiedeman, President and CEO
AU Associates, Inc.
159 Old Georgetown Street
Lexington, KY. 40508

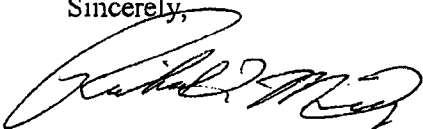
Dear Ms. Wiedeman,

This letter serves as a contingent commitment from the Affordable Housing Fund of Lexington Fayette Urban County Government for a \$230,000 pre-development loan. The loan will mature on January 1, 2017 and the rate of interest will be 2%. The loan can be prepaid without penalty. Proceeds from the loan will be used to pay development expenses associated with the Parkside III development.

This funding commitment is contingent upon AU Associates, Inc. agreeing to guaranty the loan.

Please indicate your acceptance of this contingent commitment letter. Upon acceptance LFUCG will work to close the transaction.

Sincerely,



Richard L. McQuady
Affordable Housing Manager

Accepted by:



Holly Wiedeman

HORSE CAPITAL OF THE WORLD

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

EXHIBIT C

(Executed Guaranty by AU Associates, Inc.)

GUARANTY AGREEMENT

This Guaranty Agreement ("Guaranty") is made this 15~~th~~ day of June, 2016 by the undersigned, **AU ASSOCIATES, INC.** ("Guarantor") for the benefit of **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") on behalf of its **OFFICE OF AFFORDABLE HOUSING**.

RECITALS

WHEREAS, the Guarantor, whose principal address is 159 Old Georgetown Street, Lexington, Kentucky 40508 has requested LFUCG make a loan to the Guarantor in the amount of \$230,000.00 (the "Loan"); and

WHEREAS, LFUCG and the Guarantor have entered into a loan agreement (the "Agreement"), attached hereto as Exhibit A, for the provision of the Loan from the Affordable Housing Fund; and

WHEREAS, as a condition to making the Loan to Guarantor, LFUCG requires the execution of this Guaranty.

NOW, THEREFORE, in order to induce LFUCG to make the Loan to Borrower, and in consideration thereof, the Guarantor agrees as follows:

1. The Guarantor hereby absolutely, unconditionally and irrevocably guarantees to LFUCG the full and prompt payment when due, whether at maturity or earlier, by reason of acceleration or otherwise, and at all times thereafter, of all amounts for which Guarantor is personally liable under Paragraph 1.1 of the Agreement.
2. The obligations of Guarantor under this Guaranty shall survive any foreclosure proceeding, any foreclosure sale, any delivery of any deed in lieu of foreclosure, and any release of record of the Security Instrument.
3. The Guarantor's obligations under this Guaranty constitute an unconditional guaranty of payment and not merely a guaranty of collection.
4. The obligations of Guarantor under this Guaranty shall be performed without demand by LFUCG and shall be unconditional irrespective of the genuineness, validity, regularity or enforceability of the Note, the Security Instrument, or any other Loan Document, and without regard to any other circumstance which might otherwise constitute a legal or equitable discharge of a surety or a guarantor. Guarantor hereby waive the benefit of all principles or provisions of law, statutory or otherwise, which are or might be in conflict with the terms of this Guaranty and agrees that the Guarantor's obligations shall not be affected by any circumstances, whether or not referred to in this Guaranty, which might otherwise constitute a legal or equitable discharge of a surety or a guarantor. The Guarantor hereby waive the benefits of any right of discharge under any

and all statutes or other laws relating to Guarantor or sureties and any other rights of sureties and Guarantor thereunder. Without limiting the generality of the foregoing, The Guarantor hereby waive, to the fullest extent permitted by law, diligence in collecting the Indebtedness, presentment, demand for payment, protest, all notices with respect to the Note and this Guaranty which may be required by statute, rule of law or otherwise to preserve LFUCG's rights against the Guarantor under this Guaranty, including notice of acceptance, notice of any amendment of the Loan Documents, notice of the occurrence of any default or Event of Default, notice of intent to accelerate, notice of acceleration, notice of dishonor, notice of foreclosure, notice of protest, and notice of the incurring by Borrower of any obligation or indebtedness. The Guarantor also waive, to the fullest extent permitted by law, all rights to require LFUCG to (a) proceed against Borrower or any other guarantor of Borrower's payment or performance with respect to the Indebtedness (an "Other Guarantor"), (b) if Borrower or any guarantor is a partnership, proceed against any general partner of Borrower or the guarantor, (c) proceed against or exhaust any collateral held by LFUCG to secure the repayment of the Indebtedness, or (d) pursue any other remedy it may now or hereafter have against Borrower, or, if Borrower is a partnership, any general partner of Borrower.

5. At any time or from time to time and any number of times, without notice to Guarantor and without affecting the liability of Guarantor, (a) the time for payment of the principal of or interest on the Indebtedness may be extended or the Indebtedness may be renewed in whole or in part; (b) the time for Borrower's performance of or compliance with any covenant or agreement contained in the Agreement, the Security Instrument or any other Loan Document, whether presently existing or hereinafter entered into, may be extended or such performance or compliance may be waived; (c) the maturity of the Indebtedness may be accelerated as provided in the Agreement, the Security Instrument, or any other Loan Document; (d) the Agreement, the Security instrument, or any other Loan Document may be modified or amended by LFUCG and Borrower in any respect, including an increase in the principal amount; and (e) any security for the Indebtedness may be modified, exchanged, surrendered or otherwise dealt with or additional security may be pledged or mortgaged for the indebtedness.

6. If more than one person executes this Guaranty, the obligations of those persons under this Guaranty shall be joint and several. LFUCG, in its discretion, may (a) bring suit against the Guarantor, or any one or more of the Persons constituting the Guarantor, and any Other Guarantor, jointly and severally, or against any one or more of them; (b) compromise or settle with any one or more of the Persons constituting the Guarantor or any Other Guarantor, for such consideration as LFUCG may deem proper; (c) release one or more of the Persons constituting the Guarantor, or any Other Guarantor, from liability; and (d) otherwise deal with the Guarantor and any Other Guarantor, or any one or more of them, in any manner, and no such action shall impair the rights of LFUCG to collect from the Guarantor any amount guaranteed by the Guarantor under this Guaranty. Nothing contained in this paragraph shall in any way affect or impair the rights or obligations of the Guarantor with respect to any Other Guarantor. Any indebtedness of Borrower held by the Guarantor now or in the future is and shall be subordinated to the Indebtedness and any such indebtedness of Borrower shall be collected, enforced and

received by Guarantor, as trustee for LFUCG, but without reducing or affecting in any manner the liability of the Guarantor under the other provisions of this Guaranty.

7. The Guarantor shall have no right of, and hereby waives any claim for, subrogation or reimbursement against Borrower or any general partner of Borrower by reason of any payment by the Guarantor under this Guaranty, whether such right or claim arises at law or in equity or under any contract or statute, until the Indebtedness has been paid in full and there has expired the maximum possible period thereafter during which any payment made by Borrower to LFUCG with respect to the Indebtedness could be deemed a preference under the United States Bankruptcy Code.

8. If any payment by Borrower is held to constitute a preference under any applicable bankruptcy, insolvency, or similar laws, or if for any other reason LFUCG is required to refund any sums to Borrower, such refund shall not constitute a release of any liability of the Guarantor under this Guaranty. It is the intention of LFUCG and the Guarantor that the Guarantor's obligations under this Guaranty shall not be discharged except by Guarantor's performance of such obligations and then only to the extent of such performance.

9. The Guarantor shall from time to time, upon request by Lender, deliver to Lender such financial statements as LFUCG may reasonably require.

10. LFUCG may assign its rights under this Guaranty in whole or in part and, upon any such assignment, all the terms and provisions of this Guaranty shall inure to the benefit of such assignee to the extent so assigned. The terms used to designate any of the parties herein shall be deemed to include the heirs, legal representatives, successors and assigns of such parties.

11. This Guaranty and the other Loan Documents represent the final agreement between the parties and may not be contradicted by evidence of prior, contemporaneous or subsequent oral agreements. There are no unwritten oral agreements between the parties. All prior or contemporaneous agreements, understandings, representations, and statements, oral or written, are merged into this Guaranty and the other Loan Documents. The Guarantor acknowledges that it has received a copy of the Agreement and all other Loan Documents. Neither this Guaranty nor any of its provisions may be waived, modified, amended, discharged, or terminated except by an agreement in writing signed by the party against which the enforcement of the waiver, modification, amendment, discharge, or termination is sought, and then only to the extent set forth in that agreement.

12. The Guarantor agrees that any controversy arising under or in relation to this Guaranty shall be litigated exclusively in the jurisdiction where the Land is located (the "Property Jurisdiction"). The state and federal courts and authorities with jurisdiction in the Property Jurisdiction shall have exclusive jurisdiction over all controversies which shall arise under or in relation to this Guaranty, the Agreement, the Security Instrument or any other Loan Document. The Guarantor irrevocably consents to service, jurisdiction,

and venue of such courts for any such litigation and waives any other venue to which it might be entitled by virtue of domicile, habitual residence or otherwise.

13. The Guarantor agree to notify LFUCG (in the manner for giving notices provided in the Agreement) of any change in the Guarantor's address from,

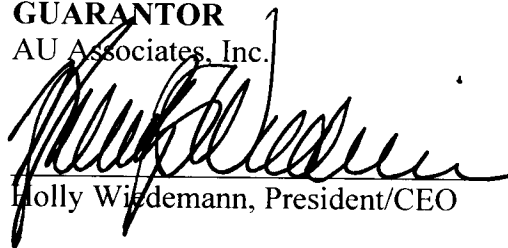
159 Old Georgetown Street
Lexington, Kentucky 40508

within 10 Business Days after such change of address occurs.

14. The Guarantor and LFUCG each (A) agrees not to elect a trial by jury with respect to any issue arising of this Guaranty or the relationship between the parties as Guarantor and LFUCG that is triable of right by jury and (B) waive any right to trial by jury with respect to such issue to the extent that any such right exists now or in the future. This waiver of right to trial by jury is separately given by each party, knowingly, voluntarily, with the benefit of competent legal counsel.

IN WITNESS WHEREOF, the Guarantor have signed and delivered this Guaranty or has caused this Guaranty to be signed and delivered by its duly authorized representative.

GUARANTOR
AU Associates, Inc.



Holly Wiedemann, President/CEO

COMMONWEALTH OF KENTUCKY)
) SS
COUNTY OF FAYETTE)

Subscribed, sworn to and acknowledged before me this 15 day of June, 2016, by Holly Wiedeman, on behalf of AU Associates, Inc.

My commission expires: 4-30-2020

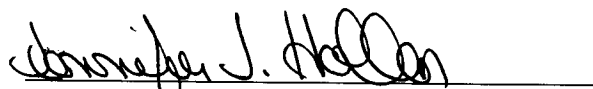

Notary Public #555712

EXHIBIT D

(Property Description)

Being all of:

PARKSIDE PARCEL 3
2.144 ACRES

Situated in the city of Lexington, Fayette County, Kentucky, being part of a tract of land conveyed to Parkside Development Group, LLLP as recorded in Deed Book 2965 Page 383 of the Fayette County, Kentucky Clerk's Office, the boundary of which is more particularly described as follows:

Beginning at a point in the grantors east line said point being S18°19'49"W, a distance of 209.90 feet from the northeast corner of said grantor's property;

Thence along the lines of the grantor the following six (6) courses:

- S50°12'49"E a distance of 249.89 feet;
- S06°02'49"E a distance of 131.22 feet;
- S83°54'11"W a distance of 226.10 feet;
- S30°51'01"W a distance of 108.51 feet;
- S75°18'00"W distance of 202.80 feet;
- N14°29'00"W a distance of 112.26 feet;

Thence along new division lines the following four (4) courses:

- S80°00'10"E a distance of 160.65 feet;
- N9°59'50"E a distance of 362.00 feet;
- S71°40'34"E a distance of 67.02 feet;
- N18°19'49"E distance of 45.08 feet to the Point of Beginning;

Containing 2.144 acres more or less.

Bearings are based on the south right of way line of Cross Keys Road being S73°32'00"E per Deed Book 2965 Page 383;