

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

THIS PRE-DEVELOPMENT LOAN AGREEMENT ("Agreement") is made and entered into this 16th day of ~~February~~ February 2017 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 2, 2017 (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 17th May, 2017, 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 **THREE HUNDRED AND**

THIRTY THOUSAND AND 00/100 DOLLARS (\$330,000.00) 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 **one (1) year** from the date of this Agreement. The Loan shall be at two percent (2%) interest for a one (1) year period and shall be repaid in full at the end of one (1) year term or on June 1, 2018, whichever occurs first. The funds will be expended only for the purpose of 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 predevelopment expenses incurred during the construction of Leestown VA Housing on the real property located at 141 Opportunity Way, 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
- (h) Consulting and other miscellaneous fees outlined in the underwriting model

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
101 East Vine 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.

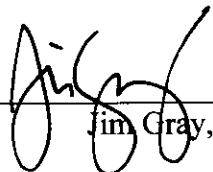
6.11 WAIVER. LFUCG may waive Borrower's performance of any of the terms of this Agreement or Borrower's default hereunder; provided, however, such waiver must be in writing, signed by LFUCG, and any such written waiver hereunder will not be construed as a waiver of any other term or condition of this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

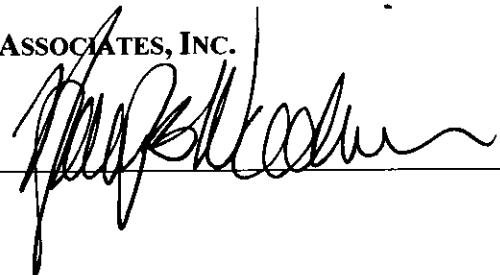
IN WITNESS WHEREOF, this Agreement is executed as of the day first written above.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT

By: 
 Jim Gray, Mayor

ATTEST:

 Clerk, Urban County Council

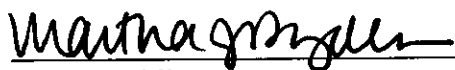
AU ASSOCIATES, INC.
 By: 

COMMONWEALTH OF KENTUCKY)
)
 COUNTY OF FAYETTE)

Subscribed, sworn to and acknowledged before me this 26 day of ^{May}~~February~~ 2017,
 by Holly B. Wiedermann on behalf of AU Associates, Inc.

My commission expires: 11-20-2019




 Notary Public
 EXHIBIT A

January 11, 2017

Mr. Johan Graham
 AU Associates, Inc.
 159 Old Georgetown St.
 Lexington, KY 40517

**Re: Leestown VA Housing
 Lexington, Kentucky (the "Project")**

Dear Johan:

This letter sets forth the commitment upon which one or more of the Community Equity Fund XXII or another group of funds ("Investor") will make an equity investment in Leestown VA Housing, LLLP ("Ownership Entity"). CAHEC Fund GP, LLC ("CAHEC") is the general partner of Investor.

This proposal is based on the information you supplied us beginning January 3, 2017, as well as, the assumptions contained in your tax credit application. Any material change in this information may affect Investor's offer. For purposes of this letter, the term "Ownership Entity" shall mean the limited partnership or limited liability company which is or will be the owner of the property and the term "Manager" shall mean the general partner or managing member, respectively, of such ownership entity.

SECTION A-OWNERSHIP ENTITY & DEVELOPMENT TEAM:

Ownership Entity:		Leestown VA Housing, LLLP
Ownership Interest		
Manager(s):	00.01%	AU Development, LLP
Investor(s):	99.99%	Community Equity Fund XXII Limited Partnership or an affiliated fund
Developer:		AU Associates, Inc, an affiliate of the Manager
General Contractor:		Churchill McGee, LLC
Management Agent:		AU Management, LLC, an affiliate of the Manager
Accountant:		Miller Mayer Sullivan & Stevens LLLP,
Architect:		Necto Architecture (formerly Studio Ives)

Investor reserves the right to approve any of the above entities as well as other members of the development team and/or third party professionals.



SECTION B-PROJECT & FINANCIAL DESCRIPTION:

Project: Leestown VA Housing
 Location: Lexington, Fayette County, Kentucky

Construction Start: August 1, 2017
 Completion Date: January 1, 2019
 100% Qualified Occupancy: June 30, 2019

of Units: 50 units in 10 buildings
 Construction Type: historic adaptive reuse and new construction
 Occupancy: family
 Set-Aside: 40% at 60% of AMI

Unit Mix and Income Targeting:

Number of Bedrooms	Income Target (% of AMI)	Number of Units	Assumed Monthly Rent	Rental Assistance
0 bedroom	60%	14	\$530	14
1 bedroom	60%	6	\$615	6
2 bedroom	60%	13	\$640	8
3 bedroom	60%	13	\$750	3
4 bedroom	60%	4	\$850	1

Assumed Stabilized Occupancy: 93%

LIHTC Annual Allocation: \$750,000 of Federal 9%
 Federal Historic credit: \$979,327 of Federal credits
 State Historic credit*: \$250,000 of State Historic Credit
 Credit Stage: 2017 Application
 Credit Percentage: 9%, locked

First Year of LIHTC Credits: 2019

LIHTC Credit Flow: \$593,750 in year 2019 (approximately 7.9% of the total credits delivered)
 \$750,000 in years 2020 to 2028 (10% of the total credits delivered annually)
 \$156,250 in year 2029 (approximately 2.1% of the total credits delivered)

First Year of Historic and State Historic Credit*: 2018

Federal Historic Credit Flow: \$979,327 in year 2018 (100% of the total credits delivered)

***NOTE: State Historic tax credits are a direct cash refund to the owner**

SECTION C- DEBT FINANCING:

The following debt sources are listed in order of priority:

CONSTRUCTION PERIOD:

Manager shall have sufficient construction funding, prior to the closing, to construct the Project.

PERMANENT PERIOD:

Source: Conventional Mortgage
 Amount: \$1,510,000
 Term: 18 years
 Amortization: 30 years
 Rate: 6.0%, estimated
 DSCR after Reserves: minimum 1.15

Source: Lexington-Fayette Urban County Government (LFUCG)
 Amount: \$1,000,000
 Term: 30 years
 Amortization: 30 years
 Rate: 0%, deferred

SECTION D- CAPITAL CONTRIBUTIONS:

Federal LIHTC price: \$0.90
 Total Federal LIHTC credits: \$7,500,000
 Federal LIHTC Equity calculation: $(\$7,500,000 \text{ credits}) * (0.9999) * (\$0.90) = (\$6,749,325)$

Federal Historic price: \$0.96
 Total Federal Historic credits: \$979,327
 Federal Historic Equity calculation: $(\$979,327 \text{ credits}) * (0.9999) * (\$0.96) = (\$940,060)$

Summary of Capital Contribution:

	First Installment	Second Installment	Third Installment	Fourth Installment	Fifth Installment	Total
Construction	\$1,242,977	\$768,938	\$2,405,535	\$1,005,958	\$1,070,129	\$6,493,537
Cash Developer Fee	\$294,900		\$245,750	\$147,450	\$294,900	\$983,000
Operating Reserves					\$172,848	\$172,848
Lease Up Reserves			\$40,000			\$40,000
Total	\$1,537,877	\$768,938	\$2,691,285	\$1,153,408	\$1,537,877	\$7,689,385

SECTION E-PAY IN SCHEDULE:

The following is an outline of Capital Contribution benchmarks whose basis for timing and credit delivery is detailed in the financial projections:

1. "First Installment" 20% \$1,537,877 will be available upon the later of:
 - a) execution of the Ownership Entity operating document (limited partnership agreement or operating agreement)
 - b) funding of the construction loan
 - c) commitment of the permanent loan including rate lock
 - d) receipt of all building permits and approvals
 - e) receipt of an allocation of housing tax credits
 - f) approval by the National Park Service of Parts 1 and 2
 - g) receipt of all reporting requirements documentation currently due

2. "Second Installment" 10% \$768,938 will be available upon the later of:
 - a) completion of 50% of the Project (based on cost-in-place draw disbursement submitted on AIA Form G702)
 - b) receipt of all reporting requirements documentation currently due

3. "Third Installment" 35% \$2,691,285 will be available upon the later of:
 - a) completion of construction as evidenced by issuance and receipt of final certificates of occupancy for 100% of units or if not legally available the architect's certificate of substantial completion
 - b) receipt and acceptance of lien waivers from all major contractors, subcontractors and materialman
 - c) accountant's draft cost certification
 - d) receipt of all reporting requirements documentation currently due

3. "Fourth Installment" 15% \$1,153,408 will be available upon the later of:
 - a) approval by the National Park Service of Part 3
 - b) receipt of all reporting requirements documentation currently due

4. "Fifth Installment" 20% \$1,537,877 upon the later of:
 - a) accountant's final cost certification
 - b) achievement of one hundred percent (100%) qualified occupancy
 - c) achievement of Break Even Operations (the achievement of income on a cash basis from normal operations that equals or exceeds all Operating Expenses on an accrual basis for the

period, including, but not limited to, taxes, assessments, funding of the Replacement Reserve, and required debt service payments, plus any other expenses that may reasonably be expected to be paid in a subsequent period but will, on an accrual basis, be allocable equally per month over the fiscal year, including, but not limited to, insurance, real estate taxes, audit, tax, or accounting expenses (excluding deductions for cost recovery of buildings, improvements, and personal property and amortization of any financing fees), and any seasonal expenses (including snow removal) that may reasonably be expected to be paid in a subsequent period) for three (3) consecutive months

- d) achievement of stabilized operations
- e) receipt of the recorded extended use agreement
- f) receipt of an "as-built" survey
- g) funding of the permanent loan
- h) receipt of form(s) 8609, form(s) K-1 and allocating agency documents
- i) receipt of all reporting requirements documentation currently due

The First and Second Installments shall be based on development costs and advanced pro-rata with construction lender.

SECTION F-CREDIT ADJUSTER:

1. **Adjustment of Credit Amount** For each dollar of credit the Project does not generate, Investor will reduce its Capital Contribution by the relevant credit price as stated in Section D. For each dollar of credit in excess of those anticipated the Project generates for the Investor, the Investor may, to the extent it has funds which are not otherwise committed and available, increase its Capital Contribution by the relevant credit price as stated in Section D.
2. **Adjustment of Credit Timing** For each dollar of Federal LIHTC the Project has delayed from the first to eleventh year of credit delivery, Investor will reduce its Capital Contribution by forty-five (45%) of the relevant credit price as outlined on Section D. For each dollar of federal historic rehabilitation credit delayed from the first to second year of credit delivery, Investor will reduce its Capital Contribution by forty-five percent (45%) of the relevant credit price as outlined on Section D.

In either case and to the extent possible, Investor will reflect the above adjustments out of future Capital Contributions. Adjustment amounts in excess of future Capital Contributions will be made according to the terms of Section L(8) below.

3. **Adjustment for Credit Reductions** In the event that the actual Federal LIHTC allocated to the Investor with respect to any year is less than the Projected Federal LIHTC for that year, and/or the Accountants determine that the Ownership Entity must recapture any of the Federal LIHTC allocated to the Investor that the Ownership Entity claimed in any previous year, the Investor's aggregate Capital Contribution shall be reduced by an amount equal to the Federal LIHTC reduction, plus any interest or penalties imposed by the IRS.

SECTION G-NET CASH FLOW:

Net Cash Flow (defined as the excess of the gross revenue over the sum of the operating expenses), to the extent available (and subject to the terms of any loan documents), shall be distributed and applied within seventy-five (75) days after the close of each fiscal year and at such other times as determined by the Manager, in the following order of priority:

1. Investor for any credit deficiency or loans made to the Ownership Entity;
2. Investor in the amount of \$5,500 as an asset management fee, which shall accrue without interest if not paid. (The fee shall be earned beginning on the date in which the project is placed in service and shall be prorated based on the number of full months that the project was in service for the fiscal year in which the project is placed in service.)
3. Project to replenish operating reserves to the required amount;
4. Developer as payment of any deferred developer fee then due (if applicable);
5. Manager to repay any development advances, operating deficit loans, asset management fee guaranty advances and any other loans made to the Ownership Entity;
6. Investor and Manager according to their percentage interests.

SECTION H-DEVELOPER FEE:

Estimated Developer Fee:	\$983,000
Paid from Capital Contribution:	\$983,000
Deferred to cash flow:	\$0

Developer shall earn a developer fee equal to an amount that is no greater than the lesser of (i) the amount in the financial projections or (ii) the amount which the relevant state allocation agency allows to be included in the Project's eligible basis. Developer Fee shall only be paid out of available Project funds. Any developer fee which remains unpaid after the final capital contribution installment has been funded shall be either deferred and bear no interest. Such deferred fee shall be repayable out of available cash flow, but which must be paid no later than ten (10) years after the Project's in-service date.

SECTION I-CALL OPTION & RIGHT OF FIRST REFUSAL:

After the 15-year tax credit compliance period and provided the Manager is not in material default, the Manager or an affiliate shall have the following rights if:

1. Manager is not a 501(c)(3) organization the purchase will be for an amount equal to the greater of (i) the fair market value of the Investor's interest as of the date of the closing of the purchase based on the amount of sales proceeds that would be received from a sale of the Ownership Entity assets for fair market value, assuming continued use of the Project for low-income housing for at least fifteen (15) years after the end of the compliance period; or (ii) the sum of all federal, state and local taxes payable by the Investor attributable to such sale
2. Manager is a 501(c)(3) organization the purchase will be for an amount equal to the sum of (i) the principal amount of all outstanding indebtedness; (ii) all federal, state and local taxes of the Ownership Entity and its partners/members attributable to such sale; provided however, that such price shall not be less than the minimum purchase price defined in IRS Code §42. Such right of first refusal shall be conditioned upon the Manager's agreement that the Project will be maintained for low-income use for at least fifteen (15) years after the later of the end of the compliance period or the date of purchase.

SECTION J-RESIDUAL ALLOCATIONS:

The net proceeds of a sale or refinancing of the Project shall be distributed in the following priority:

1. Investor to account for any outstanding credit deficiency and/or any taxes (if applicable);
2. Investor to repay any loans made to the Project;
3. Manager to repay any development advances, operating deficit loans, asset management fee guaranty advances and other loans made to the Project;
4. To pay the balance ninety percent (90%) to the Managing Member and ten percent (10%) to the Investor Member

SECTION K-RESERVES:

1. OPERATING:

Amount: \$172,848 (based on six (6) months debt service, operating expenses and other reserve requirements) or higher if required by lender or relevant state allocating agency
Timing: funded from fourth (4th) Installment
Authorization of Use: upon approval of Investor

2. REPLACEMENT:

Ongoing Deposits: \$400/unit/year increasing at three percent (3%)/unit/year, or higher if required by lender or relevant state allocating agency
Timing: funded beginning in the month achievement of one hundred percent (100%) qualified occupancy or sooner, if required by any lender
Authorization of Use: upon approval of Investor

3. LEASE UP:

Amount: \$40,000 or higher if required by relevant state allocating agency
Timing: Funded from second (2nd) Installment
Authorization of Use: upon approval of Investor
Post Lease Up: Excess funds following the one hundred percent (100%) qualified occupancy shall be transferred to Operating Reserve, or if the Operating Reserve is fully funded, released to the cash flow of the Ownership Entity

SECTION L-GUARANTEE OBLIGATIONS:

Manager and/or an entity acceptable to Investor (collectively the "Guarantor(s)"), will make the following guarantees, whose obligations will be joint and several:

1. Unconditional Construction Completion Guaranty Manager and approved guarantor shall guarantee the due and punctual completion of construction and/or rehabilitation of the Project in accordance with the terms and requirements of the Agreement (including payment of Development Advances), the loan documents and project documents, free and clear of any liens or claims of liens in the manner and within the time necessary to comply with the Agreement, loan documents and project documents including all future amendments.

2. Stabilized Operations Manager and/or an approved guarantor shall guarantee (i) to achieve Completion of Construction, (ii) to operate at Breakeven Operations for three (3) consecutive months, (iii) to achieve 1.15 Debt Service Coverage for three (3) consecutive months, (iv) to achieve one hundred percent (100%) Qualified Occupancy, (v) to close all permanent loans identified in Section C and, (vi) to fund fully the Operating Reserve.
3. Development Advances Manager and/or approved guarantor shall in the event that there are insufficient proceeds to (i) achieve Stabilized Operations, (ii) arrive at Cost Certification, and (iii) make scheduled payments due under the construction loan or repay the construction loan in full, shall loan funds to the Ownership Entity to pay costs and expenses that become due and payable.
4. Operating Deficit Loans Manager and/or an approved guarantor shall if at any time or from time to time after achievement of Stabilized Operations, an Operating Deficit exists which is not funded from the Operating Reserve, shall loan funds to the Ownership Entity in an amount equity to the Operating Deficit.

The Operating Deficit Loan obligation shall continue until the qualifications of the final Investor Capital Contribution Installment have been satisfied and the Ownership Entity has achieved Breakeven Operations for at least five (5) years, provided, however, that the Operating Deficit Loan obligation shall indefinitely continue if the Operating Reserve is not fully funded as outlined in Section K.

The maximum aggregate Operating Deficit Loan amount shall be an amount equal to the greater of \$172,848 OR 6 months debt service ("Deficit Cap"). Any repayment to the Guarantor(s) of the Deficit Guarantee shall be repaid by the Ownership Entity without interest out of excess operating cash flow or out of excess proceeds of a sale or refinancing after funding replacement reserves. In no event, however, shall the payment of operating deficits from any reserve reduce the Deficit Cap.

5. Developer Fee Guaranty Contributions Manager and/or approved guarantor shall agree to contribute to the Ownership Entity an amount sufficient to pay any outstanding deferred developer fee amounts at the end of such ten (10)-year term.
6. Asset Management Fee Guarantee Manager and/or approved guarantor shall guarantee the payment of the annual Asset Management Fee. The Asset Management Fee shall be earned beginning on the date in which the Project is placed in service for purposes of Section 42 of the Code and shall be prorated based on the number of full months that the Project was in service for the fiscal year in which the Project is placed in service. The Asset Management Fee shall be paid from Net Cash Flow annually after the close of the fiscal year for which the services were rendered. If Net Cash Flow is not sufficient to pay the Asset Management Fee for any fiscal year, the Managing Member shall make an Asset Management Fee Guaranty Advance in the amount of the shortfall and the balance of the Asset Management Fee shall be paid from the proceeds of the Asset Management Fee Guaranty Advance.

7. **Net Worth** Guarantor(s) will maintain a minimum net worth of \$7,700,000 and a minimum liquidity of \$750,000 during the Project's compliance period.
8. **Repurchase** After the closing of Investor's investment in the Ownership Entity, if the Project fails to satisfy any of the following material conditions, the Manager or Guarantor(s) shall be required, at Investor's election, to repurchase Investor's interests in the Ownership Entity at a price equal to Investor's then current equity in the Project:
 - a) the basis of the Project as of the date of the Carryover Allocation Agreement did not equal at least ten percent (10%) of the reasonably anticipated basis of the Project as of December 31, 2018;
 - b) all buildings in the Project have not been placed in service in accordance with the requirements of Section 42 of the Code on or prior to December 31, 2019;
 - c) the Company does not receive IRS Form(s) 8609 by October 31 of the calendar year following the date the Project is placed in service;
 - d) the amount of Federal LIHT Credit reflected on the IRS Form(s) 8609 is less than seventy percent (70%) of the Anticipated Federal LIHT Credit;
 - e) the Project fails to achieve the minimum set-aside test or the rent restriction test under Section 42(g) of the Code prior to the end of the first year of the Federal LIHT Credit Period;
 - f) Stabilized Operations has not occurred within eighteen (18) months following the Completion of Construction; or
 - g) at any time before Stabilized Operations, an action is commenced and successfully executed to foreclose, abandon, or permanently enjoin the construction and/or rehabilitation of the Project or any commitment for the Term Loans is withdrawn and is not replaced by a comparable commitment acceptable to the Investor Member within a reasonable period of time.
9. **Credit Adjuster Contribution** If any adjustment in accordance with Section F exceeds the amount of all subsequent Capital Contribution Installments of the Investor, the Manager shall make a Credit Adjuster Contribution to the Ownership Entity equal to the amount of the shortfall and the Ownership Entity shall thereafter make a special distribution to the Investor, neither to reduce nor to be limited by Net Cash Flow, equal to the amount. The Manager's obligation to make a Credit Adjuster Contribution shall be guaranteed by the approved guarantor.

SECTION M-REPORTING:

The Manager shall furnish at the end of each calendar month a monthly construction reports and documentation in the form provided by the Investor. The Manager shall furnish the Investor with certain financial and compliance reports during the compliance period. Financial reports typically

include but are not limited to annual Manager audited financial statements, Ownership Entity audited financial statements, tax returns and K-1's, trial balance and operating budget. Copies of all required relevant state allocating agency compliance reports shall be furnished consistent with the State's required frequency. During the qualification period the type and frequency of standard report submission is typically greater. The Ownership Entity operating document shall also contain a provision for assessing a fine in the amount of \$150 per day for non-compliance with reporting requirements. The Investor reserves the right to remove and replace the Project Accountant upon failure to perform its duties relative to assisting the Manager in adhering to the reporting requirements.

SECTION N-DUE DILIGENCE AND CLOSING PROCESS:

Upon receipt of an executed copy of this letter, the parties shall agree upon a schedule for completing a due diligence review of the Project and preparing and executing the necessary transaction documents. Upon request, the Manager shall establish procedures acceptable to Investor for approving the disbursement and use of funds during construction of the Project.

SECTION O-ADDITIONAL CONDITIONS:

Manager and/or Guarantor(s) will execute all applicable individual and corporate authorizations for credit, criminal and other background checks as deemed necessary by CAHEC and/or the Investor.

Closing of Investor's investment in the Ownership Entity shall be conditional upon, but not limited to, the review and acceptance of (i) guarantor(s) financial condition; (ii) the general contractor obtaining a payment and performance bond; (iii) satisfactory architectural plan and construction cost review; (iv) the Manager and/or other entity acceptable to Investor indemnifying the Investor against losses and damages associated with environmental hazards; (v) organizational structure; (vi) environmental report; (vii) insurance policies written with an A.M. Best rated company of A-X or better; (viii) market study report ordered by Investor must support financial structure and underwriting of the project and; (ix) any other information requested by Investor.

Upon closing, the Project will be eligible to participate in CAHEC's *Community Investments* designed to invigorate and support historically underserved households and neighborhoods.

SECTION P-MISCELLANEOUS:

Each party shall pay its own costs and expenses associated with the Project (including, without limitation, attorneys' fees). If Investor does not close its investment in the Project upon terms substantially similar to this proposal for any reason beyond Investor's control, Investor shall be reimbursed for its costs and expenses associated with the Project (including, without limitations, attorney's fees).

The Manager acknowledges that it will control the Project, the land upon which the Project is to be built, and shall control the allocation(s) of Federal LIHTCs to such Project, and expects to do so through the completion of the transaction contemplated herein. The Manager acknowledges that no agreement exists, written or otherwise, which would adversely affect its ability to enter into this agreement, and to timely complete the transaction contemplated herein. Investor anticipates incurring expenses and foregoing other opportunities while proceeding toward closing its entry

into the Ownership Entity. Investor does so with the understanding that once this commitment has been executed, Manager will not entertain any other proposals regarding the Project (or any substantially similar undertaking) and that all information, terms and materials relating to this transaction will remain confidential. Manager further warrants that, with respect to the Project it has terminated negotiations with competing investment proposals.

In consideration of Investor's investment in the Project, should the transaction close, Manager agrees to give Investor the right of first refusal to invest in the tax credit equity of any tax credit project built or rehabilitated by the Manager or an affiliate on any contiguous land and/or within a three (3) mile radius of the Project within two (2) years after the closing.

Except for the Miscellaneous section, the parties acknowledge that nothing herein, or in any other communication between the parties shall create any legally binding or enforceable rights between the parties regarding the Project or Investor's proposal to invest in the Project unless and until Investor has (i) received Project approval by its investment committee to become an Investor; (ii) has completed its due diligence review of the Project to its satisfaction and all transaction documents have been fully executed by authorized officers of all necessary parties and; (iii) received signed and executed Ownership Entity operating document.

This letter shall be open for your consideration until January 13, 2017. If the general terms and conditions outlined in this letter are acceptable, please confirm your agreement of the foregoing by executing this document and returning it to the undersigned.

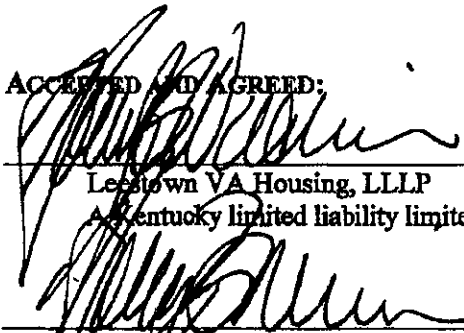
Sincerely,

By



William G. Mayo
Vice President, Acquisitions
Community Affordable Housing Equity Corp.

ACCEPTED AND AGREED:



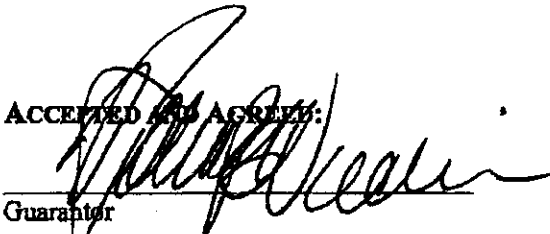
Leestown VA Housing, LLLP
A Kentucky limited liability limited partnership

By AU Development LLC
Its General Partner

By Holly B. Wiedemann
Its President

Date 1-10-2017

ACCEPTED AND AGREED:



Guarantor

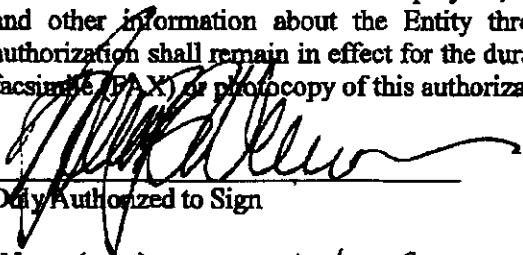
By Holly B. Wiedemann

Date 1/10/2017

AUTHORIZATION TO OBTAIN INFORMATION

Entity Authorization:

On behalf of Leestown VA Housing, LLLP (the "Ownership Entity"), I hereby authorize CAHEC and its employees, agents, affiliates or assigns to contact persons, businesses, or other entities for the purpose of verifying information that the Entity has provided or have failed to provide. I further authorize CAHEC and its employees, agents, affiliates, or assigns to obtain credit history and other information about the Entity through a consumer report agency. This release authorization shall remain in effect for the duration of this Entity's association with CAHEC. A facsimile (FAX) or photocopy of this authorization shall be as valid as the original.



Duly Authorized to Sign

Name (print): Holly B. Wiedemann
Its: Manager
Date: 1-10-17

Entity Name: Leestown VA Housing LLLP
Address: 159 Old Georgetown St.
City, State Zip: Lexington, KY 40508

Date of Formation: September 21, 2016
State of Formation: Kentucky
Federal Tax ID #: 36-4853397

Leestown VA Housing PROJECT SUMMARY

Developer: AU Associates, Inc.
Contact Person: Johan Graham
Phone: 859-233-2009 **Email:** johan@auassociates.com
Project Name: Leestown VA Housing
Street Address: 2250 Leestown Road
City: Lexington **County:** Fayette
Zip Code: 40511

Total Units: 50 **Construction Type:** Rehab & New Const.
Primary Unit Type: Elevator Apts **Target Population:** Family
Additional Unit Type: Townhome **Group Home?** No
Total Residential Square Feet: 50 **Community Service Facility?** No
Avg Sq Ft/Unit: 1

KHC Funding Type: _____
Tax Credit: Is project located in a DDA and/or QCT? No
 Is project located in a census tract with a poverty rate less than 20%? Yes
Census Tract(s): 37.02
Tax Credit Set-Aside Election: 40/60
 Is a local PHA providing project-based vouchers? Yes

**If requesting KHC to perform subsidy layering review, refer to Compliance Checks page for requirement*

Unit Mix	Efficiency	1-BR	2-BR	3-BR	4-BR	Totals
30% AMI	0	0	0	0	0	0
50% AMI	0	0	0	0	0	0
60% AMI	14	7	12	13	4	50
80% AMI	0	0	0	0	0	0
120% AMI	0	0	0	0	0	0
Unrestricted	0	0	0	0	0	0
Totals	14	7	12	13	4	50

Operating Budget	Annual	Per Unit
Adjusted Gross Income	\$389,840	\$7,793
Other income/Subsidies	\$5,004	\$100
Vacancy 7%	\$27,275	\$545
Effective Gross Income	\$367,369	\$7,347
Operating Expenses	\$216,958	\$4,339
Replacement Reserve	\$20,000	\$400
Net Operating Income	\$130,411	\$2,608
Debt Service	\$108,639	\$2,173
Cash Flow Year 1	\$21,773	\$435

Operating Cash Flow	DCR	Cash Flow Per Unit
Year 1	1.20	\$435
Year 5	1.21	\$446
Year 10	1.20	\$425
Year 15	1.16	\$354

Key Assumptions	
Vacancy Rate Year 1-3:	7.0%
Vacancy Rate Year 4+:	7.0%
Rent Inflation Year 1-3:	2.0%
Rent Inflation Year 4+:	2.0%

Expense Inflation:	
Administrative	3.0%
Operating/Maintenance	3.0%
Utilities	3.0%
Taxes/Insurance	3.0%

Development Costs	Total	Per Unit	% of TDC
Acquisition	\$1	\$0	0.0%
Hard Costs	\$7,750,000	\$155,000	74.2%
<i>Building Costs</i>	<i>\$6,193,000</i>	<i>\$123,660</i>	<i>59.3%</i>
Construction Contingency	\$820,000	\$12,400	5.9%
Soft Costs	\$1,087,240	\$21,945	10.5%
Developer Fee	\$983,000	\$19,660	9.4%
TDC	\$10,450,241	\$209,005	

Capital Reserve Balance		
	Total	Per Unit
Year 10	\$249,844	\$4,997
Year 15	\$424,198	\$8,484
Year 20	\$640,328	\$12,807

Sources	Total	Per Unit	% of Total
Debt Sources			
HOME	\$0	\$0	0.0%
AHTF	\$0	\$0	0.0%
NHTF	\$0	\$0	0.0%
SMAL	\$0	\$0	0.0%
Risk-Sharing	\$0	\$0	0.0%
Other KHC loan (Identify):	\$0	\$0	0.0%
Non-KHC Loans	\$2,510,000	\$50,200	24.0%
Equity Sources			
Deferred Dev Fee	\$0	\$0	0.0%
M2M/Cash Flow Loan	\$0	\$0	0.0%
LIHTC Equity	\$6,749,325	\$134,987	64.6%
Other Equity/Grants	\$1,190,916	\$23,818	11.4%
Total	\$10,450,241	\$209,005	100.0%

Housing Credit Allowed	
Annual Credit Allowed:	\$750,000
Per Unit:	\$15,000
LIHTC Applicable Fraction	100.0%

KHC Sources	
Total KHC Sources:	\$0
KHC Cost Per Unit:	\$0
KHC Costs as % of TDC:	0.0%

(Gap) or Surplus **\$0** **\$0** **0.0%**

Leestown VA Housing Sources & Uses

Total Units: 50 Primary Unit Type: Elevator Apts
Construction: Rehab & New Const. County: Fayette

Do not create additional formulas in any cells as this may interfere with KHC's project underwriting.

SOURCES OF FUNDING

Match Eligible?	Permanent Debt Sources:	Amount	Per Unit	Interest Rate	Amortization Term (In Years)	Lien Position	Annual Payment
n/a	KHC HOME, amortizing		\$0				
n/a	KHC HOME, deferred, due at maturity		\$0				
n/a	KHC HOME, forgiven at maturity (excluded from basis)		\$0				
n/a	AHTF, amortizing		\$0				
n/a	AHTF, deferred, due at maturity		\$0				
n/a	AHTF, forgiven at maturity		\$0				
n/a	NHTF, amortizing		\$0				
n/a	NHTF, deferred, due at maturity		\$0				
n/a	NHTF, forgiven at maturity (excluded from basis)		\$0				
n/a	SMAL		\$0				
n/a	Risk-Sharing		\$0				
n/a	Other KHC loan (identify)		\$0				
	Non-KHC loan #1 (Identify lender): River Hills Bank	\$1,510,000	\$30,200	0.00%	30	First	\$108,830
	Non-KHC loan #2 (Identify lender): LFUCG	\$1,000,000	\$20,900	0.00%	40	Second	
	Non-KHC loan #3 (Identify lender):		\$0				
	Total Debt Sources:	\$2,510,000	\$50,200				\$108,830

*If any of the above non-KHC loans require payment of a mortgage insurance premium, identify loan and MIP amount: N/A
Is the MIP included in the rate/payment amount shown above? Frequency:*

Match Eligible? (as defined in Guidelines)	Permanent Equity Sources:	Federal Grant?	Amount	Per Unit	Affordability Period	Describe repayment of cash flow loan:
	Deferred Developer Fee (amount unpaid by Yr. 10 deducted from basis)			\$0		
	Cash Flow Loan (Mark-to-Market or Other Cash Flow Loan)			\$0		
n/a	Federal Historic Tax Credit Equity (credit amount is deducted from basis)		\$940,000	\$18,801		\$0.00
	Other equity grant (identify): State Historic Tax Credit Refund		\$250,000	\$5,000		
	Other equity grant (identify): GP Equity		\$856	\$17		
	Other equity grant (identify):			\$0		
	Other equity grant (identify):			\$0		
	Other equity grant (identify):			\$0		
	Other equity grant (identify):			\$0		
	Donated or volunteer labor (total cost must include value of donation)			\$0		
	Donated materials (total cost must include value of donation)			\$0		
	Donated land value (total acquisition cost must include value of donation)			\$0		
	Net present value of waived or reduced taxes (not in development budget)			\$0		
n/a	LHTC Anticipated Net Syndication Proceeds (4% / 8%):		\$2,740,325	\$134,987	15 years	Estimated Credit Pricing: \$0.0000 cents per dollar
	Total Equity Sources:		\$7,940,241	\$158,805		Equity Provider/Byedicator: CAHEC
	TOTAL PERMANENT SOURCES:		\$10,458,241	\$209,005		Annual Credit Allocation: \$756,988
	Total Development Costs:		\$10,458,241	\$209,005		
	Permanent Funding Sources out of balance by:		\$0	\$0		

From Uses of Funding Below	Construction Financing Sources: (May include permanent sources listed above)	Amount Available During Construction	% TDC	Developer Notes
	Bank Construction Loan	\$5,428,585	51.0%	
	Developer Equity (Self-Financing)	\$0	0.0%	
	Deferred Developer Fee	\$0	0.0%	
	Housing Credit Equity Available During Construction	\$3,374,683	32.3%	
	Costs Not Paid During Construction (Must Identify)	\$185,848	1.8%	Operating Reserve + Cost Certification
	Other: Developer Fee not Paid During Construction	\$560,310	5.4%	
	Other: LFUCG Funds	\$900,000	8.6%	90% available
	Other: GP Equity	\$856	0.0%	
	Other:		0.0%	
	Total Construction Sources:	\$10,458,242	100.0%	
	Const. Financing Sources out of balance by:	(\$1)	0.0%	Construction sources must be equal to or greater than Total Development Costs.

USES OF FUNDING	TOTAL COST	Per Unit Cost	Tax Credit Project: Eligible Costs 70% Present Value Credit	30% Present Value Credit	Non-Tax Credit Project: OR Excluded from Tax Credit Basis
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ACQUISITION					
Building Acquisition	\$0	\$0			
Land Acquisition (include value of donated land)	\$1	\$0			\$1
TOTAL ACQUISITION	\$1				\$1

HARD COSTS					
Building Costs					
Appliances	\$125,000	\$2,500	\$125,000		
Building - New Construction Costs	\$2,883,840	\$57,677	\$2,883,840		
Building - Rehabilitation Construction Costs	\$3,124,180	\$62,483	\$3,124,180		
Lead-based paint controls or abatement	\$60,000	\$1,200	\$60,000		
Site Work					
Demolition	\$45,000	\$900			\$45,000
Earth Work	\$20,000	\$400	\$20,000		
Lawn/Plantings	\$35,000	\$700			\$35,000
Off Site Work	\$0	\$0			
Roads/Walks	\$160,000	\$3,000	\$150,000		\$0
Site Utilities	\$150,000	\$3,000	\$30,000		\$120,000
Unusual Site Conditions	\$0	\$0			
Contractor Fees					
Payment and Performance Bond	\$58,000	\$1,160	\$58,000		
General Requirements	\$460,000	\$9,200	\$460,000		5.94% of Hard Costs
Builder's Overhead	\$150,000	\$3,000	\$150,000		1.94% of Hard Costs
Builder's Profit	\$460,000	\$9,200	\$460,000		5.94% of Hard Costs
Construction Manager's Fee	\$0	\$0			
Builder's Risk Insurance	\$25,000	\$500	\$25,000		
Builder's Liability Insurance	\$2,000	\$40	\$2,000		
Worker's Compensation Insurance	\$2,000	\$40	\$2,000		
Other Hard Costs					
Other:	\$0	\$0			
Other:	\$0	\$0			
Other:	\$0	\$0			
TOTAL HARD COSTS	\$7,750,000		\$7,550,000	\$0	\$200,000

SOFT COSTS

Construction Interim Costs

Bridge Loan Fees	\$0	\$0		
Bridge Loan Legal Fees	\$0	\$0		
Building Permits/Fees	\$50,000	\$1,200	\$50,000	
Construction Credit Enhancement	\$0	\$0		
Construction Financing Fees	\$0	\$0		
Construction Hazard Insurance	\$0	\$0		
Construction Interest	\$120,000	\$2,400	\$105,000	\$15,000
Construction Legal Fees	\$32,500	\$650	\$32,500	
Construction Liability Insurance	\$4,000	\$80	\$4,000	
Construction Loan Points	\$50,256	\$1,006	\$50,256	
Construction Title and Recording	\$22,000	\$440	\$22,000	
Other Construction Finance Fees	\$12,000	\$240	\$12,000	

Permanent Financing

Permanent Credit Enhancement	\$0	\$0		
Permanent Financing Fees	\$0	\$0		
Permanent Legal Fee	\$12,600	\$250		\$12,600
Permanent Loan Points	\$0	\$0		
Permanent Title and Recording	\$0	\$0		
KHC SMAL Loan Origination Fee (1% of loan amount)	\$0	\$0		
Other Permanent Loan Financing Fees	\$0	\$0		

KHC Risk-Sharing Fees

Application Fee (\$3,000)	\$0	\$0		
Commitment Fee (3% of loan amount)	\$0	\$0		\$0
Upfront MIP (6% of loan amount)	\$0	\$0		\$0
Closing Fee (\$5,000)	\$0	\$0		

Professional Fees

Accounting Fees	\$0	\$0		
Architect Fees	\$385,000	\$7,700	\$385,000	
Engineering Fees	\$0	\$0		

Reserves

Escrows	\$0	\$0		
Operating Deficit Reserve (Source MUST be identified)	\$172,848	\$3,457		\$172,848
Rent Up Reserves	\$40,000	\$800		\$40,000
Replacement Reserve Deposit	\$0	\$0		
Other:	\$0	\$0		
Other:	\$0	\$0		
Other:	\$0	\$0		

\$162,706 Minimum

Syndication Costs

Syndication Legal Fees	\$20,000	\$400		\$20,000
Syndication Organization Expenses	\$0	\$0		
Other Syndication Expenses	\$3,136	\$63		\$3,136

Other Soft Costs

Relocation Expenses	\$0	\$0		
Appraisal	\$5,600	\$110	\$5,600	
Market Study	\$4,600	\$90		\$4,600
Environmental Study	\$15,000	\$300	\$15,000	
Environmental Review Contractor (HOME/Risk Sharing)	\$0	\$0		
Lead-Based Paint Assessment and Testing	\$10,000	\$200	\$10,000	
Survey	\$8,000	\$160	\$8,000	
Physical Capital Needs Assessment	\$2,600	\$50	\$2,600	
Marketing	\$12,000	\$240		\$12,000
Property Taxes	\$0	\$0		
Cost Certification	\$13,000	\$260		\$13,000
Asset Management Fee	\$0	\$0		
KHC Non-Tax Credit Application Fee	\$0	\$0		\$0
KHC Tax Credit Application Fee	\$4,600	\$90		\$4,600
KHC Tax Credit Reservation Fee (6% of credit request)	\$67,600	\$1,350		\$67,600
KHC Tax Credit Inspection Fee (1% of credit request)	\$7,600	\$150		\$7,600
KHC Initial Inspection Fee (rehab projects only)	\$0	\$0		
Non-KHC Tax Credit Fees	\$13,000	\$260		\$13,000
Other:	\$0	\$0		
Other:	\$0	\$0		
Other:	\$0	\$0		

Total Dev & Consult Fees:

10.6% of allowable TDC

Consulting Fee:

0.0% of Total Fees

19.9% of TDC

Developer's Fee

Consulting Fee	\$0	\$0		
Developer Fee	\$983,000	\$19,660	\$933,650	\$49,150
AHTF-Paid Developer Fee (Limit 7.0% of AHTF request)	\$0	\$0		

TOTAL SOFT COSTS

TOTAL SOFT COSTS	\$2,080,240	\$41,805	\$1,629,806	\$18,000	\$434,634
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TOTAL DEVELOPMENT COSTS

TOTAL DEVELOPMENT COSTS	\$10,450,241	\$289,805	\$9,789,806	\$18,000	\$834,636
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Reductions to Eligible Basis:

HOMENHTF forgiven at maturity	\$0				
Federal Historic Tax Credit	\$979,327				\$979,327
Other Federal Grants & Subsidies	\$0				
Excess Cost Units	\$0				
Other	\$0				
Unpaid Deferred Developer Fee (after 10 Year)	\$0				
ELIGIBLE BASIS	\$9,820,279				
High Cost Adjustment (Basis Boost)	100%		100%	100%	
ADJUSTED ELIGIBLE BASIS	\$9,836,279		\$8,820,279	\$16,000	
Applicable Fraction			100%	100%	
QUALIFIED BASIS	\$9,836,279		\$9,820,279	\$16,000	
Tax Credit Rate			9.00%	0.00%	
MAXIMUM ANNUAL TAX CREDIT	\$793,825		\$793,825	\$0	

Leestown VA Housing UNITS & INCOME

Utility Allowances

Amenities Included in Units:

Oven/Range	Yes	Garbage Disposal	No
Refrigerator	Yes	Washer/Dryer	No
Microwave	Yes	Washer/Dryer Hookup	Yes
Dishwasher	Yes		

Heating System

Heating Fuel:	Electric
System Type:	Forced Air

Utility	Utility Fuel Source (electric, gas, oil, etc.)	Allowance for Utilities Paid by Tenant Only					
		0 BR	1 BR	2 BR	3 BR	4 BR	
Cooking	Electric		Tenant	\$7	\$9	\$11	\$14
Other, Lighting	Electric	\$25	\$31	\$37	\$42	\$51	
Hot Water	Electric	\$13	\$19	\$24	\$29	\$37	
Water	Owner						
Heating	Electric	\$28	\$39	\$51	\$62	\$79	
Air Conditioning	Electric	\$3	\$4	\$9	\$13	\$18	
Sewer	Owner						
Trash Collection	Owner						
TOTAL		\$74	\$100	\$130	\$157	\$199	

Source for utility allowances:

PHA Utility Chart

(Attach documentation and include the date of most current chart)

Unit Distribution

Required Unit Distribution by Funding Source

Based on KHC funding requested, distribution is calculated by the percentage of total sources each funding type represents. Refer to the "Compliance Checks" sheet to see the required distribution of HOME & NHTF units by bedroom type.

Funding Source	% of Sources	Min. Units	Min. Low HOME Units
HOME units	0.0%	0	0
AHTF units	0.0%		Total minimum required units may exceed a project's actual units due to blended funding.
NHTF units	0.0%	0	
SMAL units	0.0%		

NOTE: If the project will receive project-based rental assistance, input the entire rent to be collected under "Proposed Contract Rent" or enter operating subsidy below.

0 Bedroom Units

Construction Type	# of Units	Rent Restriction Program	Housing Credit Unit(s)?	Project Based Rental Assistance if applicable	Income Restriction	# of Baths	Square Footage Per Unit	Proposed Contract Rent (excludes utility allowance)	Monthly Rent	Annual Rent	Utilities Paid By	Utility Allowance	Contract Rent + Utility Allowance
Adaptive/Historic	14	Housing Credit 60% Rents	Yes	PHA PB Vouchers	60% AMI	1	1	\$530	\$7,420	\$89,040		\$0	\$530
									\$0	\$0			\$0
									\$0	\$0			\$0
									\$0	\$0			\$0
Subtotal	14		14						\$7,420	\$89,040			\$0

1 Bedroom Units

Construction Type	# of Units	Rent Restriction Program	Housing Credit Unit(s)?	Project Based Rental Assistance # applicable	Income Restriction	# of Baths	Square Footage	Proposed Contract Rent (excludes utility allowance)	Monthly Rent	Annual Rent	Utilities Paid By	Utility Allowance	Contract Rent + Utility Allowance
Adaptive/Historic	6	Housing Credit 60% Rents	Yes	PHA PB Vouchers	60% AMI	1	1	\$615	\$3,690	\$44,280		\$0	\$615
Adaptive/Historic	1	Housing Credit 60% Rents	Yes		60% AMI	1	1	\$630	\$630	\$6,360		\$100	\$630
									\$0	\$0			\$0
									\$0	\$0			\$0
Subtotal	7								\$4,220	\$50,640			\$0

2 Bedroom Units

Construction Type	# of Units	Rent Restriction Program	Housing Credit Unit(s)?	Project Based Rental Assistance # applicable	Income Restriction	# of Baths	Square Footage	Proposed Contract Rent (excludes utility allowance)	Monthly Rent	Annual Rent	Utilities Paid By	Utility Allowance	Contract Rent + Utility Allowance
New Construction	8	Housing Credit 60% Rents	Yes	PHA PB Vouchers	60% AMI	1	1	\$640	\$5,120	\$61,440		\$130	\$770
New Construction	4	Housing Credit 60% Rents	Yes		60% AMI	1	1	\$640	\$2,560	\$30,720		\$130	\$770
									\$0	\$0			\$0
									\$0	\$0			\$0
Subtotal	12								\$7,680	\$92,160			\$0

3 Bedroom Units

Construction Type	# of Units	Rent Restriction Program	Housing Credit Unit(s)?	Project Based Rental Assistance # applicable	Income Restriction	# of Baths	Square Footage	Proposed Contract Rent (excludes utility allowance)	Monthly Rent	Annual Rent	Utilities Paid By	Utility Allowance	Contract Rent + Utility Allowance
New Construction	3	Housing Credit 60% Rents	Yes	PHA PB Vouchers	60% AMI	2	1	\$750	\$2,250	\$27,000		\$157	\$907
New Construction	5	Housing Credit 60% Rents	Yes		60% AMI	2	1	\$750	\$3,750	\$45,000		\$157	\$907
Adaptive/Historic	5	Housing Credit 60% Rents	Yes		60% AMI	2	1	\$750	\$3,750	\$45,000		\$157	\$907
									\$0	\$0			\$0
									\$0	\$0			\$0
Subtotal	13								\$9,750	\$117,000			\$0

4 Bedroom Units

Construction Type	# of Units	Rent Restriction Program	Housing Credit Unit(s)?	Project Based Rental Assistance # applicable	Income Restriction	# of Baths	Square Footage	Proposed Contract Rent (excludes utility allowance)	Monthly Rent	Annual Rent	Utilities Paid By	Utility Allowance	Contract Rent + Utility Allowance
New Construction	1	Housing Credit 60% Rents	Yes	PHA PB Vouchers	60% AMI	2	1	\$850	\$850	\$10,200		\$199	\$1,049
New Construction	3	Housing Credit 60% Rents	Yes		60% AMI	2	1	\$850	\$2,550	\$30,600		\$199	\$1,049
									\$0	\$0			\$0
									\$0	\$0			\$0
Subtotal	4								\$3,400	\$40,800			\$0

Unit Totals

New Construction Units	24	Monthly	Annual
Rehabilitation Units	0	\$32,470	\$389,640
Adaptive Reuse/Historic Rehab	26	Per Unit Average Rent	\$7,793
Total Residential Units:	50	# Housing Credit Units	50
Square Footage of Residential Units:	50	Square Footage of Housing Credit Units	50
Commercial Square Footage:			
Common Area(s) Square Footage:			
CSF Square Footage (if applicable):			
Total Square Footage:	50		

Rental Assistance

Is project-based rental assistance (PBRA) or project-based voucher (PBV) assistance provided? PBV PHA Project-Based Vouchers other source:

Number of units receiving rental assistance: 32 Rental assistance contract expiration date:

Other Income *(These will be trended at the same rate as rents on the Operating Proforma)*

	Monthly	Annually
Rent from Commercial Space	\$0	\$0
Interest	\$50	\$600
Laundry	\$150	\$1,800
Parking	\$0	\$0
Tenant Charges (late fees, insufficient funds fees, etc)	\$217	\$2,604
Other (Identify)	\$0	\$0
Total Other Income:	\$417	\$5,004

Annual Operating Subsidies

	Year 1	Year 2	Year 3	Year 4	Year 5
Source 1:					
Source 2:					
Source 3:					
Total Operating Subsidy:	\$0	\$0	\$0	\$0	\$0

	Year 6	Year 7	Year 8	Year 9	Year 10
Source 1:					
Source 2:					
Source 3:					
Total Operating Subsidy:	\$0	\$0	\$0	\$0	\$0

	Year 11	Year 12	Year 13	Year 14	Year 15
Source 1:					
Source 2:					
Source 3:					
Total Operating Subsidy:	\$0	\$0	\$0	\$0	\$0

	Year 16	Year 17	Year 18	Year 19	Year 20
Source 1:					
Source 2:					
Source 3:					
Total Operating Subsidy:	\$0	\$0	\$0	\$0	\$0



RiverHills BANK

January 10, 2017

Johan Graham
AU Associates, Inc.
159 Old Georgetown Street
Lexington, Kentucky 40508

RE: Construction and Permanent Loan Commitment

Dear Mr. Graham:

RiverHills Bank ("Lender") is pleased to have the opportunity to present this Commitment Letter for a Construction Loan and a Permanent Loan to finance the Leestown VA Housing (Development) LIHTC Project located in Lexington, KY.

The terms of the Construction Loan will be as follows:

All accrued interest on the Construction Loan is collected at the end of the first 12 months and at construction completion. Because interest does not have to be borrowed on the construction loan the effective rate and cost to you are lowered. We will work carefully with you to determine the lowest loan amount necessary during the construction period which also saves on the total origination fee. Specifically, we typically lower the construction loan by all reserves, construction loan anticipated interest, developer fee that is paid at construction completion and other similar uses of funds.

Lender:	RiverHills Bank
Borrower:	Leestown VA Housing, LLLP
Loan Amount:	Up to \$6,403,027 (less any other confirmed funding sources)
Interest Rate:	4.50% - Fixed
Origination Fee:	There will be a fee of 1% of the maximum principal amount of the loan.
Amortization:	Interest Only
Maturity:	24 Months
Security:	A Mortgage in an amount equal to the construction loan to be filed in first position on the Development real estate.
Funding and Advances:	This loan will provide for monthly advances processed through a title company within the loan disbursements procedures to be agreed upon.
Payments:	All accrued interest will be collected at the end of twelve months with accrued interest and principal due at maturity.
Guarantees:	Guarantees during construction to be determined.
Other Fees:	Reimbursement of normal construction loan expenses including but not limited to title insurance, title updates, legal fees, appraisals, filing fees, etc. These expenses will be due and payable on the closing date. We

limit a maximum of \$7,500 for our legal counsel. There is also a \$7,500 construction draw inspection, review & processing fee (this equals \$500 per inspection for 15 inspections). All fees are disclosed and paid at closing with no ongoing fees to the bank.

P&P Bond: Payment and Performance Bond Required.

The terms of the Permanent Loan will be as follows:

The Permanent Loan will close at the same time as the as the construction loan however the Permanent Loan will not fund until after construction completion and a capital injection from the LIHTC syndicator is received that is sufficient to pay the construction loan from RiverHills Bank in full and a release of the construction loan mortgage is obtained.

Lender: RiverHills Bank

Borrower: Leestown VA Housing, LLLP

Loan Amount: Up to \$1,510,000

Interest Rate: 6.00% Fixed

Origination Fee: There is no fee associated with this product.

Amortization: 30 years

Maturity: 17 years

Security: A mortgage in an amount equal to the permanent loan originally to be filed in 2nd position on the Development real estate that results in a 1st position mortgage at funding.

Funding and Advances: This loan will fund through a title company after a title update verifies that the funding will put this loan in first position on the Development.

Payments: Monthly principal and interest payments, as calculated with the final term loan rate and above stated amortization, will begin on the 10 day of the first full month after the loan is funded. A balloon payment of all remaining interest accrued to date and principal will be due on the maturity date.

Guaranties: None Required.

Other Fees: Reimbursement of normal loan expenses including but not limited to title insurance, legal fees, appraisals, filing fees, etc. These expenses will be due and payable on the closing date.

Prepayment Penalty: RiverHills will allow for the loan to be sized by a reduction of no more than 5% of the loan amount through the stabilization period and as required by the syndicator with no penalty. Prepayment Penalty for first ten years from the date of the loan of 2% of the then outstanding balance on the loan. No prepayment penalty after this date.

Deposit Accounts: All partnership reserve accounts will be held at RiverHills Bank.

Additional Requirements:

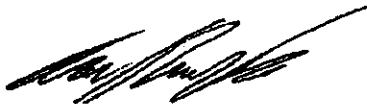
LTV shall not exceed 80%.

Receipt of documentation of LIHTC award and commitment of approved syndicator. All underwriting conditions outlined by the syndicator and the applicable Housing Finance Agency must be met prior to or concurrently with the bank's loan closings and funding.

Lender reserves the right to amend these requirements upon final review of standard due diligence including, but not limited to, approval of the appraisal, environmental, market study, title, financial condition of the developer, closing of other sources of financing, and satisfactory negotiation of partnership and/or loan documents. Furthermore, terms & conditions listed in this commitment letter are a summary of the negotiated terms & conditions and the exact wording in this letter may not be used in the actual loan documentation.

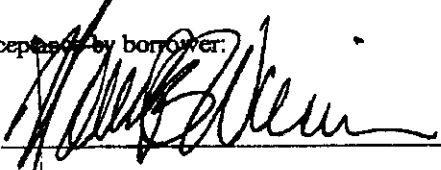
This commitment is available if accepted within 30 days of this letter and closed no later than 90 days after the date of this letter. RiverHills bank will consider an extension of this closing date but will have the right to change the loan rates or any other terms.

Sincerely,



Brian Dunlap
CEO/President
RiverHills Bank
553 Chamber Drive
Milford, Ohio 45150

Accepted by borrower:

By: 
Title: **PRESIDENT**

Date: 1/11/16



May 5, 2017

The Honorable Jim Gray
Mayor of Lexington
200 E. Main Street
Lexington, KY 40507

Subject: Leestown VA Housing
Control No. KY-17-001

RECEIVED

MAY - 9 2017

Dear Mayor Gray:

OFFICE OF THE MAYOR

Kentucky Housing Corporation (KHC) recently received a request for an allocation of Housing Tax Credits for the above-referenced project. In accordance with the Internal Revenue Code of the United States, KHC, the state housing finance agency, is responsible for awarding federal Housing Tax Credits to owners of housing developments that meet certain criteria established by KHC's Qualified Allocation Plan.

This letter serves as notification to you, the chief local official, of KHC's intention to allocate Housing Tax Credits to the above-referenced project. The project is located at 2250 Leestown Road, Lexington, KY. The proposed project includes the rehabilitation of 26 and new construction of 24 affordable rental units.

Kentucky Housing Corporation welcomes your comments regarding the proposed project. Please submit comments in writing, referring to Control No. KY-17-001, to my attention at Kentucky Housing Corporation, 1231 Louisville Road, Frankfort, Kentucky 40601. If you have any questions, please contact me at (502) 564-7630.

Sincerely,

J. Kathryn Peters
Executive Director

JKP/bwq

1231 Louisville Road • Frankfort, Kentucky 40601-6191 • 800-633-8896 • 502-564-7630 • TTY 711 • Fax 502-564-5708 • www.kyhousing.org





U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Financial Management Center
2380 McGee Street, Suite 400
Kansas City, MO 64108-2605

OFFICE OF PUBLIC AND INDIAN HOUSING

November 30, 2016

KY004
LEXINGTON FAYETTE URBAN COUNTY HOUSING AUTHORITY
300 NEW CIRCLE ROAD
LEXINGTON, KY 40505

Dear Executive Director:

**SUBJECT: Housing Choice Voucher Program
HUD-Veterans Affairs Supportive Housing Award Project-Based Vouchers**

Your agency was notified in a letter dated November 14, 2016, that you were awarded funds under Notice PIH 2016-11 to support HUD-Veterans Affairs Supportive Housing (HUD-VASH) Project-Based vouchers. This letter provides specific details of the funding awarded and information concerning the disbursement of these funds. Disbursements will begin based on the effective date identified in the table below.

These vouchers must be used for the purpose for which they were provided. Operation requirements for VASH vouchers and additional information can be found at the following Internet link:
<http://www.hud.gov/offices/pih/programs/hcv/vash/>

Administrative fees are not being provided at this time. Fees will be provided for units leased as of the first day of the month, based on data reported in the Voucher Management System (VMS).

The following table identifies the funding obligated for your agency's HUD-VASH award:

Funding Increment Number	Effective Date	Term (in Months)	BA Assigned	Units	Approximate Monthly Disbursement
KY004VOPB01	11/1/2018	12	\$138,624	32	\$11,552

Enclosed is your Notice to Amend the Consolidated Annual Contributions Contract (CACC) with revised funding exhibits reflecting the change(s) described above. The amendment notice and revised funding exhibits should be filed with your most recent CACC. No execution by HUD or your PHA is required.

Housing agencies receiving an increment in excess of \$100,000 in Budget Authority (BA) are required to submit Form HUD-50071, Certification of Payments to Influence Federal Transactions, and, if applicable, Form SF-LLL, Disclosure of Lobbying Activities. If this letter notifies you of a renewal in excess of \$100,000, and your HA has not submitted the Form(s) HUD-50071 (and SF-LLL where applicable) with a budget or budget revision for your current fiscal year which includes the estimated BA for that renewal increment, the documents must be submitted to your Financial Analyst at the Financial Management Center (FMC) within 30 days of the date of this letter. These forms are located on the Internet at the following addresses:

Form HUD-50071

<http://portal.hud.gov/hudportal/documents/huddoc?id=50071.pdf>

Form SF-LLL

<http://www.hud.gov/offices/adm/hudclips/forms/files/sfill.pdf>

Please contact your Financial Analyst at the FMC if you have any questions.

Sincerely

Debra Hamblin

Digitally signed by Debra Hamblin
DN: CN = Debra Hamblin, C = US, OU =
Division Director
Reason: I am approving this document

Division Director

Enclosures

Memo Reference: 16-202

MAYOR JIM GRAY



LEXINGTON

RICHARD MCQUADY
DIRECTOR
AFFORDABLE HOUSING

May 18, 2017

Mr. Johan Graham, Director of Development
AU Associates, Inc.
159 Old Georgetown Street
Lexington, Kentucky, 40508

Dear Mr. Graham,

The Affordable Housing Fund Board of Directors has approved a \$330,000 pre-development loan for AU Associates for development expenses associated with the Leestown VA Housing Development. The loan will be at 2% for one year. The loan can be prepaid without penalty.

The loan commitment is contingent upon AU Associates guaranteeing the loan.

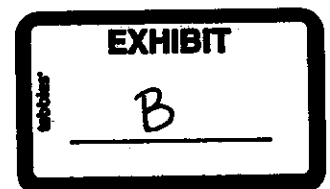
Please indicate below your acceptance of this contingent commitment letter. Upon acceptance we will work to close the transaction. I look forward to working with you in providing affordable housing opportunities for residents of Fayette County.

Sincerely,

Richard L. McQuady
Affordable Housing Manager

Accepted by:

AU Associates, Inc.



GUARANTY AGREEMENT

THIS GUARANTY AGREEMENT ("Guaranty") is made this 23 day of February, 2017 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 **THREE HUNDRED AND THIRTY THOUSAND AND 00/100 DOLLARS \$330,000.00** (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,

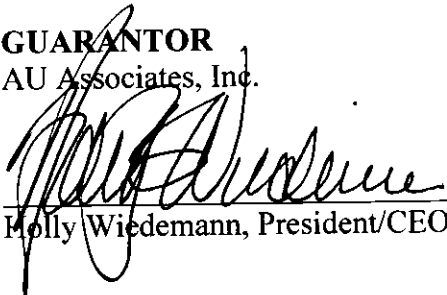
159 Old Georgetown Street
Lexington, Kentucky 40508

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.

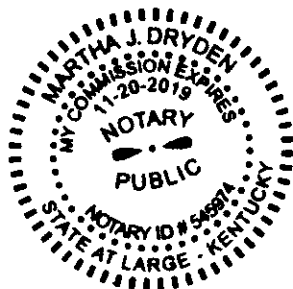


Holly Wiedemann, President/CEO

COMMONWEALTH OF KENTUCKY)
) SS
COUNTY OF FAYETTE)

Subscribed, sworn to and acknowledged before me this 26 day of ^{May}~~February~~, 2017
by Holly Wiedeman, on behalf of AU Associates, Inc.

My commission expires: 11.20.2019



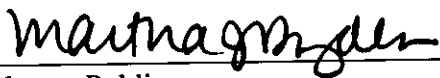

Notary Public

EXHIBIT D

(Property Description)

Being all of:

All that tract or parcel of land situated on the south side of the Versailles Pike, in Lexington, Fayette County, Kentucky, and more fully described and bounded as follows, to-wit:

Beginning at a point in the south right-of-way line of the Versailles Pike, said point being a corner to Glenn Haddox; thence with said south right-of-way line of the Versailles Pike, S 82° 37' W 115.43 feet to a corner with Erhart; thence with Erhart for two calls, S 03° 42' W 287.01 feet and S 89° 38' W 149.6 feet to the point in the line of Alender; thence with Alender for two calls, S 00° 40' E 136.5 feet and S 83° 43' W 46.7 feet to a point in the line of Jeffers; thence with Jeffers S 04° 33' E 590.68 feet to a point; thence leaving the line of Jeffers S 88° 30' E 360.48 feet to a point in the line of Addie Stackhouse; thence with Stackhouse and continuing with the Fayette County (Detention Home) N 07° 36' E 674 feet to a point; thence again with the Fayette County (Detention Home) for two calls, N 84° 10' E 14 feet and N 07° 14' W 14 feet to a point in the line of Glenn Haddox; thence with Haddox two calls, S 82° 37' W 138 feet and N 06° 42' W 379 feet to the beginning and containing 8 acres, as shown by plate dated July 22, 1969, prepared by Cecil C. Harp Engineers and approved by the Lexington-Fayette County Planning Commission, which plat is attached to a certain mortgage dated August 20, 1969, and is of record in the Fayette County Court Clerk's Office in Mortgage Book 852, page 215; and

Being a part of the same property conveyed to first party herein by Catherine Ham and John Ham, her husband, by deed dated August 20, 1969, and of record in the Fayette County Clerk's Office in Deed Book 970, page 76.

Together with appurtenant easements for a sanitary sewer as shown on the said Building Site Record Plat and as granted to first party herein by L.E. Potts, et al., by Deed of Easement dated August 21, 1969, and of record in the Fayette County Clerk's Office in Deed Book 970, page 243.

Being a part of the same property conveyed to Presbyterian Housing Corporation, by deed dated June 29, 1971, and of record in the Fayette County Clerk's Office in Deed Book 1020, page 592.