

PROPOSED TERM SHEET

Midtown Exchange For Sale Housing Project
December 1, 2004

1. PROJECT DESCRIPTION

The Chicago, LLC_(the "Borrower") proposes to develop an 89-unit for sale condominium project to be located at 2929 Chicago Avenue South, Minneapolis, Minnesota. The project will include 132 parking ramp spaces for condominium owners. The estimated total development costs for the project is \$26,155,810.

2. PROJECTED SOURCES AND USES

Construction	\$19,057,060
Construction Contingency	1,000,000
Soft Costs	380,000
Financing	1,253,750
Marketing	1,640,000
Legal/Organizational/Audit	225,000
Developer Fees	<u>2,600,000</u>
TOTAL USES	<u>\$26,155,810</u>

Condominium Sales Proceeds	\$22,570,810
Parking Garage Sales Proceeds	440,000
Hennepin County TOD	300,000
MHFA – CRV	591,300
Gap Funding	<u>2,253,700</u>
TOTAL SOURCES	<u>\$26,155,810</u>

3. POTENTIAL SOURCES OF GAP FUNDING

City of Minneapolis Empowerment Zone	\$275,000
Metropolitan Council LHIA	178,700
Metropolitan Council LCDA	1,500,000
Hennepin County TOD	<u>300,000</u>
Total Potential Sources	<u>\$2,253,700</u>

5. CITY FOR SALE HOUSING BRIDGE FINANCING

Basic Terms and Conditions

Lender:	City of Minneapolis
Borrower:	The Chicago, LLC
Initial Credit Limit:	\$108,700 (subject to reduction, see below)
Time Period Available:	From closing to construction completion
Frequency:	Monthly draws available
Annual Interest Rate:	0%
Repayment Terms:	See below

Other Terms and Conditions

- Maximum combined Bridge Financing credit limit for both the Rental Apartments and the For-Sale Housing components is \$11,550,000.

Attachment B

- Maximum For Sale Bridge Financing credit limit is \$1,000,000 (subject to reduction as described below, but in no event to increase).
- Initial credit limit for the For Sale Bridge Financing is \$108,700 (maximum For Sale Bridge Financing credit limit of \$1,000,000 less \$591,300 MHFA-CRV grant and \$300,000 Hennepin County TOD grant).
- The Borrower will only be allowed to draw on the For Sale Bridge Financing to pay for eligible project costs when all other available sources of funding have been fully exhausted at that time.
- As long as there is an outstanding balance on the For Sale Bridge Financing, the amount, if any, paid the Borrower or any Affiliate of the Borrower as a fee (the "Developer Fees") shall not exceed \$2,600,000.
- The Borrower is required to continue to apply for additional for sale housing gap funding until the outstanding balance on the For Sale Bridge Financing is \$0, but in no case later than June 30, 2006.
- The credit limit on the For Sale Bridge Financing will be reduced by the dollar amount of any gap funding (loans or grants) received by the City, Borrower or Developer for the For Sale project. Such funding shall include, but is not limited to, funds received from the City of Minneapolis (AHTF, NRP, EZ, etc.), Minnesota Housing Finance Agency, Family Housing Fund, Metropolitan Council, and Hennepin County.
- If at any time the outstanding balance on the For Sale Bridge Financing exceeds the credit limit, then the Borrower shall immediately pay to the City the amount of such difference.
- If the outstanding balance of the For Sale Bridge Financing is greater than \$0 on June 30, 2006, Profit shall be computed upon the Sale of the last unit constituting a part of the For Sale Housing Improvements. At that time, the Borrower shall retain a certified public accountant acceptable to the City to prepare a Profit calculation. Profit shall be distributed 100% to the City until the outstanding balance on the For Sale Bridge Financing equals \$0.

"Affiliate" of any specified person means any other person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified person. For the purposes of this definition, "control" when used with respect to any specified person means the power to direct the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Net Proceeds" means any and all consideration of any kind whatsoever, whether direct or indirect, that is received by the Borrower (or any other party that is an Affiliate of the Borrower) for, or in connection with, the Sale of the units in the For Sale Improvements, including without limitation, the stated purchase prices, cash, notes, and any indebtedness assumed and/or to which the For Sale Improvements are then subject, interest on any deferred portion of the purchase prices, reimbursement of prepaid expenses, contracts for the seller's service and the service of an Affiliate of the Borrower and noncustomary net proration in favor of seller; adjusted by deducting the sum of the reasonable broker's commissions, to the extent actually paid to a person or entity other than an Affiliate of the Borrower, usual and customary closing costs and credits, including, but not limited to title charges, survey costs, escrow charges, recording fees, transfer taxes and reasonable attorneys' fees (including in house), special assessments required to be paid as a condition of Sale, and reasonable proration in favor of the purchasers for real estate taxes not yet due and payable, if any. Notwithstanding the foregoing, if the Sale of a unit is to an Affiliate of Borrower, at the option of the City, Net Proceeds with respect to such

Sale shall mean the Fair Market Value of the transferred property less all disposition expenses approved by the City.

“Profit” means the amount by which Net Proceeds exceed the sum of the Total Development Costs (\$26,155,810).

“Sale” means any direct or indirect sale, refinancing, conveyance, assignment, transfer, exchange or other disposition of all or a part of Developer’s interest in the For Sale Improvements to any person not an Affiliate of the Borrower.

“Total Development Costs” means the sworn construction costs and expenses incurred by the Borrower to construct the For Sale Improvements, including architectural and engineering fees, professional services fees, developer fees, construction supervision, property acquisition and associated title and closing costs, taxes and insurance premiums during the construction period, financing fees and financing interest during the construction period. The Developer estimates that the total development costs, not including Developer Fees, will approximately equal \$23,563,000.