

Lorain Port Authority
Lease Financing
(Clover Senior Housing Project)
Lease Term Sheet

Set forth below are the terms of the lease financing for the transaction described herein, which is subject to approval as described herein.

I. Description of Project:

Project: The senior housing project will be located at 3303 Enclave Place in the City of Lorain, Ohio ("Project"). The Project will include a three-story building with 125 independent senior living units and 126 parking spaces.

Project Costs: The Project costs are currently estimated to be approximately \$6,000,000.

Developer/Owner: The Project will be developed and owned by Clover Group, or its assigns ("Developer").

Timetable: Construction of the Project is expected to commence in November 2016 and is expected to be completed in 2017.

II. Proposed Capital Lease Financing:

Ground Lease: The Project site will be leased by the Developer to the Lorain Port Authority ("Port") for \$100.00, payable in advance, pursuant to a 50-year ground lease ("Ground Lease") with Developer. The Ground Lease will terminate if the Developer terminates the Project Lease (as described below).

Project Lease: The Port will lease the Project to the Developer or its assigns pursuant to a 25-year capital lease ("Project Lease"). The Developer will be the owner of the Project for federal income tax purposes. The Project Lease is expected to reduce Project costs by savings on construction materials. The Developer will have the option to terminate the Project Lease upon the payment in full of the construction loan. Upon the expiration or earlier termination of the Project Lease, the Developer will have the option to purchase the Project from the Port for the amount of \$100.00.

Type of Project Lease: The Project Lease will be a triple net capital lease with the Developer responsible to pay any and all costs and expenses in connection with the Project, including but not limited to, insurance, taxes, and all maintenance and other operating expenses.

Lease Payments: The Lease Payment will consist of an upfront lease payment of \$70,000.

Assignment of Project Lease: The Developer may assign the Project Lease to any party with the consent of the Port, which consent will not be unreasonably withheld.

Construction Certificate:

Upon closing, the Port will issue a construction contract sales tax exemption certificate (the "Construction Certificate") to the Developer for the fixed asset materials related to the Project.

Control of Project:

The Developer will control the plan, design, construction and operation of the Project and will construct the Project as for the Port pursuant to a construction manager at-risk agreement.

Role of Lender:

The Lender will advance funds for construction of the Project pursuant to its usual loan documents.

Indemnification:

The Developer will defend, indemnify and hold harmless the Port from any claims, lawsuits or any losses incurred by the Port, including environmental liability, as a result of the Project, the Ground Lease, the Project Lease, except to the extent the claim is attributable to the gross negligence of the Port. The Developer will also name the Port as an insured party with respect to the Project, including the Ground Lease and Project Lease.

Other Requirements:

Set forth below is a preliminary list of some of the items that will be required by the Port prior to closing:

- An acceptable environmental review of the Project site;
- An ALTA survey of the Project site;
- An acceptable title commitment and title insurance.

Closing Date:

The lease financing is expected to close in 2016, subject to final documentation, legal opinions and approval by all parties.

Projected Savings:

The Developer is expected to receive the following savings as a result of the Lease transaction:

\$6,000,000	Project costs
x 50%	Percentage of hard costs
\$3,000,000	Projected hard costs
x 6.50%	Sales Tax
\$ 195,000	Total projected sales tax savings
(\$ 70,000)	Projected transaction costs
\$ 125,000	Projected savings

Deposit/ Lease Financing Costs:

The estimated financing costs are set forth below:

Port Application Fee: Upon execution of the Term Sheet and payment of a \$2,500 application fee and a \$10,000 deposit, the Port will commence the documentation for the Lease financing and will work to close the transaction as soon as possible. If the Developer terminates the transaction, the Port will retain the application fee and use the deposit to pay costs of their advisor and legal counsels. The Developer will be responsible for the hourly fees of the Port's legal and advisor fees (but such costs will not exceed the fees identified below). At the closing of the lease financing, the application fee and deposit will be applied towards the transaction costs described herein.

Closing Costs: The Developer will pay the closing costs, at the closing of the Lease financing, as set forth below. These fees are subject to increase if the closing of the Lease financing does not occur before January 31, 2017.

\$30,000	Port Fee (including \$2,500 application fee)
\$20,000	Port Legal Counsel
<u>\$20,000</u>	Port Financial Advisor
\$70,000	Total Transaction Costs

III. Participants:

Port: Lorain Port Authority

Developer: Clover Group

Port Lease Counsel: Frost Brown Todd

Financial Advisor to Port: Long Economic Development Advisors, LLC

IV. Approval and Acceptance:

This term sheet is subject to final documentation and final approval by all parties, including the Port's board of directors.

CLOVER COMMUNITIES LORAIN, LLC
Dated: 11/15/16

Signature: _____

Print Name: MICHAEL L. JOSEPH

Title: MANAGER

Entity: CLOVER COMMUNITIES GP, LLC

Signature: _____

Print Name: Richard Novak

Title: Executive Director

Entity: Lorain Port Authority