



May 10, 2016

Ms. Natalie Erdman  
Mr. Matthew Wachter  
Community Development Authority, City of Madison  
215 Martin Luther King Jr. Blvd, Room 312  
Madison, WI 53703

RE: Loan Proposal

Dear Natalie and Matthew:

Thank you for providing us the opportunity to provide a refinance solution for the Monona Shores 104-unit multifamily project loan. The following is not a commitment to lend, but is a summary of terms we would propose to meet your objectives:

**TERM LOAN**

**BORROWER:** Community Development Authority, City of Madison

**LENDER:** Johnson Bank

**AMOUNT:** Up to \$3,050,000 Term Loan  
(refinance to cover debt plus closing expenses)

**PAYMENT TERMS:** Monthly principal and interest payments due, based on a fifteen (15) year amortization. Note maturity three or five years from closing.

**INTEREST RATE** Interest rate to be fixed at Lender's cost of funds for three or five years which is based on the 3 or 5 year LIBOR Swap rate plus 235 bps. (As of May 10, 2016 rates would be fixed at 3.35% for three years or 3.55% for five years.)

**ORIGINATION FEE:** \$4,500

**GUARANTEE:** N/A.

**PREPAYMENT FEE:** Prepayment from proceeds from other than operating cash of Monona Shores Apartments shall be subject to a prepayment fee as follows:  
Three year term: Three percent in year one, two percent in year two and one percent in the remaining term of the Loan.  
Five year term: Three percent in year one, two percent in years two and three and one percent in the remaining term of the Loan.

**PURPOSE:** Refinance existing term loan for the 104 unit Monona Shores Apartment project located in Madison, Wisconsin.

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**COLLATERAL:** Real estate mortgage and assignment of leases and rents on 104-unit Monona Shores apartment complex located at 2 Waunona Woods Court, 1510 and 1510 Lake Point Drive, Madison, WI, free from liens and encumbrances; to include a security interest in all personal property owned by the Borrower and located on the subject collateral; Assignment of property management agreements and a security interest in all accounts owned by Borrower and necessary for the operation and maintenance of the property.

**APPRAISED VALUE:** An updated appraisal will be required, and Lender will use its third party engagement firm for the appraisal assignment. The resulting loan to value calculation shall not exceed 70%.

**DEBT SERVICE COVERAGE:** Borrower shall provide annual financial information demonstrating Monona Shores project maintains a minimum Debt Service Coverage Ratio (DSCR) of 1.25x measured on an annual basis beginning 12/31/2016. DSCR is calculated as the sum of gross rental income less vacancy and operating expenses for the applicable period divided by principal and interest paid during the same applicable period.

**LOAN DOCUMENTATION AND DUE DILIGENCE:** Borrower shall enter into a Loan Agreement and certain other related agreements, all of which shall contain representations, warranties, covenants, terms, conditions, and events of default which are satisfactory to Lender in its discretion. Lender's obligation to fund the Loan is subject to its review and approval of such items of due diligence as the Lender may deem reasonable (such as title insurance, management agreements, financial statements, ALTA survey and environmental reports). This letter does not set forth all the terms and conditions of the credit facility described herein, nor does it set forth all items of due diligence which Lender will review prior to loan closing. The loan documents will have additional terms and conditions not set forth herein, including, but not limited to, representations and warranties, events of default, and other provisions customary to financing by Lender generally and of the type contemplated by this letter, and the Lender will require such acceptable due diligence as is customary for financing of this nature.

**RESERVE WITHDRAWALS:** All withdrawals from operating deficit reserve and replacement reserves shall be reviewed and confirmed by Lender.

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**SERVICING  
REQUIREMENTS:**

So long as any debt remains outstanding under the proposed credit facilities, Borrower shall:

Maintain all deposit accounts for Monona Shores Apartments with Lender, including operating account, operating deficit reserve, security deposit, and replacement reserve of a minimum of 2% of gross rents per year;

Submit annual rent roll Monona Shores;

Submit annual audited financial statement on Borrower and Monona Shores Apartments;

Comply with all terms and conditions of the existing land use restriction agreement for the property; and

Provide such other information, books and records that the Lender may reasonably request including tax returns.

**OTHER:**

Borrower will provide Lender with evidence of full fire and extended coverage on the Monona Shores Apartment project at replacement costs. The policy will acknowledge Lender its Successors and/or Assigns as Loss Payee/Mortgagee as its interest may appear.

Closing due diligence items required will include title insurance; Phase I Environmental reports (with any recommendations addressed); and an ALTA certified survey of the Monona Shores Apartments which includes Table A requirements acceptable to Lender.

Borrower shall pay all “out of pocket” closing costs to include real estate appraisal fee, title insurance, certified survey costs, environmental survey reports, property insurance, lien and recording fees, credit reports, loan documentation fees, and Lender’s attorney’s fees.

We hope that the terms outlined in this letter meet with your approval. Prior to proceeding further to a formal commitment, we welcome the opportunity to discuss any questions you may have regarding this outline with a goal to tailor our financing package to best suit your needs.

Sincerely,

Eric A. Johnson  
Senior Vice President

Kristi A. Brereton  
Vice President

This proposal is for the confidential use of the Community Development Authority, City of Madison. Information within this proposal may not be shared with, or distributed to, any individual not directly employed by, or affiliated with the Community Development Authority, City of Madison.

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