

City of Cleveland Heights, Ohio
 Taxable Economic Development TIF Revenue Bonds, Series 2020
 (Top of the Hill Development Project)
 (“Bonds” or “TIF Bonds”)

Preliminary Financing Term Sheet – February 12, 2020

Set forth below is a brief summary of certain terms relating to the TIF Bonds identified above and proposed to be issued by the City of Cleveland Heights, Ohio (“City”). The TIF Bonds are being issued to provide the “TIF Financing” contemplated by Section 8 of the Development Agreement dated February 21, 2018 between the City and F & C Development, Inc., an Indiana corporation qualified to transact business in Ohio (“Developer”), as amended and supplemented by a First Amendment to Development Agreement dated as of December 7, 2018 and a Second Amendment to Development Agreement approved December 2, 2019 (collectively, as further amended and supplemented, “Development Agreement”).

The City has previously acquired title to approximately four (4) acres of land commonly referred to as “Top of the Hill” and comprised of contiguous Parcel Numbers 685-18-008, 685-18-009, 685-18-010, 685-18-011, 685-18-012, 685-18-013, 685-18-016, 685-18-018 and 685-18-019 (each a “Parcel” and, collectively, “Parcels”), and has agreed to consolidate the Parcels with a portion of Edwards Road vacated or to be vacated, subject to reserved easements, pursuant to Ordinance No. 81-2019 enacted September 16, 2019, and then lease the consolidated site (“Project Site”) to Developer (or a designated affiliate) for a term of 99 years at nominal rent under a Ground Lease, the form and principal terms of which have been established under the Development Agreement and the First Amendment thereto (as completed, executed and delivered, “Ground Lease”). All Parcels other than Parcel 685-18-011 (“Greenhouse Parcel”) have been owned by the City for an extended period of time. The Greenhouse Parcel was acquired by Developer for transfer to the City and was so transferred on or about November 13, 2019 in accordance with the Development Agreement for a deferred payment of \$369,632.48 (“Greenhouse Purchase Price”).

Pursuant to the Development Agreement and Ground Lease, Developer (or a designated affiliate) is to provide for the acquisition, construction, equipping, installation, furnishing and other improvement of a project comprised of the following improvements: approximately 261 market-rate apartments, approximately 11,400 square feet of first floor restaurant, retail and commercial space, a public parking garage resulting in approximately 550 parking spaces, public gathering and green spaces, and all sidewalks, driveways, access ways and utility connections necessary for the foregoing improvements (“Project Improvements” and together with the Project Site, “Project”). The City has determined that the Project constitutes a “project” within the meaning of Ohio Revised Code (“ORC”) Chapter 165, as enacted and amended from time to time pursuant to Article VIII, Section 13, of the Ohio Constitution (collectively, with applicable provisions of ORC Chapter 1724, the “Bond Act”), and has determined that it may, subject to certain conditions, issue the TIF Bonds under the Bond Act and make proceeds of the sale thereof (“TIF Bond Proceeds”), together with a “City Contribution” (defined below), available to Developer to finance a portion of the costs of the Project in the manner contemplated herein. The City has authorized preparation of this preliminary financing term sheet (“Term Sheet”) in anticipation of the issuance and sale of the TIF Bonds.

In addition to providing the Ground Lease and making the TIF Bond Proceeds available for costs of the Project, the City has agreed in the Development Agreement to make a contribution of up to \$1.85 million (as finally determined, “City Contribution”) available to Developer to provide funding for a portion of the costs of the Project (including payment of the Greenhouse Purchase Price and provision for a portion of the costs of the Project Improvements), as reflected in an agreed budget for costs of the Project prepared by Developer and approved by the City (“Approved Project Budget”). All other costs of the Project are to be borne by the Developer/affiliates except to the extent if any provided in the Development Agreement. Under the Development Agreement, all cost overruns relating to the Project Improvements are to be borne by the Developer, and the City has no responsibility whatsoever therefor.

The Developer has requested that the City now take the steps necessary to issue the TIF Bonds consistent with this Term Sheet and a legal structure that includes the following elements (among others): (i) the City will lease the Project Site under the Ground Lease to Cleveland Heights FC II, LLC, an Ohio limited liability company (“Ground Lessee”); (ii) the City will pay the Greenhouse Purchase Price to Developer and will provide the balance of the City Contribution (“City Project Proceeds”) to Ground Lessee, solely for use as a tenant improvement contribution to pay costs of Project Improvements; (iii) Ground Lessee will sublease the Project Site, under a sub-ground lease co-terminous with, and incorporating all material terms of, the Ground Lease (“Sub-Ground Lease”), to Cleveland Heights FC III, LLC, an Ohio limited liability company (“Leasehold Owner”), and will transfer the City Project Proceeds to Leasehold Owner, solely for use as a tenant improvement contribution to pay costs of Project Improvements; (iv) rent under the Sub-Ground Lease will be at market, as determined by Developer, reflecting the reasonable value of the Sub-Ground Lease and of the tenant improvement contribution of the City Project Proceeds; (v) the City will loan the TIF Bond Proceeds to Leasehold Owner to pay a portion of the costs of the

Project Improvements consistent with the Approved Project Budget; and (vi) Leasehold Owner will obtain a first-mortgage construction loan (“Construction Loan”) from Goldman Sachs Bank USA (“Construction Lender”) which, together with (x) City Project Proceeds plus (y) net TIF Bond Proceeds (net of all transactional and financing costs) plus (z) member-funded equity contributions to Leasehold Owner (“Member Equity”), is required to be sufficient to pay all costs of the Project Improvements consistent with the Approved Project Budget.

Developer has represented to the City that: (i) Ground Lessee will be owned and controlled entirely by principals of Developer and its affiliates through Cleveland Heights FCS, Inc., an Ohio s-corporation, (ii) Leasehold Owner will be owned entirely by Cleveland Heights FC Owners, LLC, an Ohio limited liability company (“Leasehold Owner Parent”), and (iii) Leasehold Owner and Leasehold Owner Parent will be managed and controlled by principals of Developer and its affiliates. Developer, Ground Lessee, Leasehold Owner, Leasehold Owner Parent and David M. Flaherty (an individual and Indiana resident, and herein the “Guarantor”) are referred to herein, collectively, as the “Developer Parties”.

This Term Sheet is provided by Ross, Sinclair & Associates, LLC (“RSA” or “Placement Agent”) and the City to the Developer Parties in anticipation of entering into agreements pertaining to the structuring and marketing of the TIF Bonds and is preliminary and subject to change. It is intended to serve as the basis for such structuring and marketing, but is not definitive or complete; all terms, costs and other items included herein are preliminary and will be finalized in the documentation providing for the issuance, sale and delivery of the Bonds, including the Placement Agreement, Loan/Service Agreement, Bond Indenture, TIF Declaration/Mortgage and Guaranties, all referred to below.

Description of the Project:

Project; Authorization: The Project is generally described in the Introduction to this Term Sheet and is comprised of the Project Site and Project Improvements authorized or to be authorized under each of the following: (1) the Bond Act, (2) the Development Agreement, (3) ORC §5709.41 and related statutory provisions (collectively, “TIF Act” and, together with the Bond Act, “Authorizing Acts”), (4) an Ordinance passed by City Council under the TIF Act and effective on or after January 1, 2020 (“TIF Ordinance”), and (5) an ordinance authorizing the TIF Bonds (“Bond Ordinance”).

Project Costs: Project Costs payable from TIF Bond Proceeds will include costs of acquisition, construction, equipping, installation, furnishing and other improvement of the Project Site and Project Improvements and related costs permitted under the Authorizing Acts, including costs of issuing the TIF Bonds and funding required capitalized interest and reserves. Aggregate Project Costs are estimated at approximately \$74,887,107, as shown under “*Preliminary Sources and Uses*” below. Aggregate TIF Bond Proceeds are currently projected at up to approximately \$24.2 million, with approximately \$18.6 million available, together with investment earnings on unspent construction-period TIF Bond proceeds (currently estimated at approximately \$100,000) (collectively “Net TIF Bond Proceeds”), for construction and related costs of the Project Improvements, all as further described below under *Preliminary Sources and Uses*. Project Costs that cannot be funded from TIF Bond Proceeds must be funded, or available without material conditions, at or prior to the closing of the initial TIF Bond issuance (“TIF Bond Closing”), including all Construction Loan proceeds, City Project Proceeds, and member equity contributions to Leasehold Owner.

TIF Bond Proceeds: The TIF Bonds are expected to be issued in such amount as can be supported by payments in lieu of exempted taxes required under the TIF Act and TIF Ordinance (“Statutory Service Payments”) derived from improvements to the Project Site Parcels, as projected by MuniCap, Inc. (“TIF Consultant”) consistent with (i) such information as may be available regarding the prospective completed and stabilized tax valuation (and related timing) of the Project, and (ii) requirements under the Development Agreement and a Compensation Agreement dated March 20, 2018 between the City and the Cleveland Heights-University Heights City School District (“School District”), as supplemented by an Addendum to Compensation Agreement dated as of November 25, 2019 between the City and School District (as supplemented, “School Compensation Agreement”). The net proceeds of the TIF Bonds will be

made available for and applied towards the payment of the Project Costs in accordance with (x) a Loan and Service Agreement between the City and Leasehold Owner, joined as to all Service Agreement covenants by Ground Lessee (“Loan/Service Agreement”) and (y) a Trust Indenture (“Bond Indenture”) between the City and a qualified corporate bond trustee (“Trustee”). Bond issuance costs and other specified Project Costs to be paid or reimbursed at or promptly after the TIF Bond Closing will be disbursed in accordance with direction given in the Bond Indenture. Funded interest and administrative expenses (for the period prior to anticipated receipt of Statutory Service Payments) will be disbursed in accordance with a schedule and direction included in the Bond Indenture. Amounts available for remaining costs of the Project Improvements will be disbursed on request of Developer, with approval of the City, in accordance with the Loan/Service Agreement and Bond Indenture.

Issuance and Sale of TIF Bonds:

Subject to approval of the Bond Ordinance by City Council, and to satisfaction of the conditions established in the Development Agreement, School Compensation Agreement, Bond Ordinance, Bond Indenture and Loan/Service Agreement, and based on satisfactory documentation and legal opinion of Squire Patton Boggs (US) LLP, bond counsel to the City (“Bond Counsel”), the City expects to issue (and the Placement Agent expects to place) the TIF Bonds to finance a portion of the costs of the Project Improvements. The TIF Bonds will be sold by the City, and placed by the Placement Agent, pursuant to a bond placement agreement (“Placement Agreement”) among the Placement Agent, the City, such Developer Parties as are acceptable to the Placement Agent and City, and, if applicable, the purchaser or purchasers of the TIF Bonds (collectively, “Purchaser”). To the extent required by the Purchaser for purposes of locking an interest rate or otherwise, parties to this Term Sheet agree to review and, if necessary sign a supplemental or separate term sheet further establishing agreed material terms of the TIF Bonds.

General Terms of the TIF Bonds

Principal Amount; Term; Serial Bonds. The principal amount of TIF Bonds issued for the Project is currently not expected to exceed approximately Twenty Six Million Dollars (\$26,000,000) and could vary significantly based on the projected tax valuation of the Project. That principal amount (and the related Net TIF Bond Proceeds) will depend on the amount of Statutory Service Payments projected by the TIF Consultant to be generated by the “*improvement*” (as defined in the TIF Act and herein “TIF Improvement”) to Project Site Parcels resulting from construction of the Project Improvements, the sale prices of and interest rates on the TIF Bonds, and other factors. The projected Statutory Service Payments (“TIF Projections”) will depend on the estimated valuation of the Project, as projected by the TIF Consultant consistent with County Fiscal Office assessor valuation protocols, projected “effective tax rates” of levies exempted by the TIF Ordinance, and the limits established by the School District compensation regime under the School Compensation Agreement. The actual Statutory Service Payments will differ from the TIF Projections and the variance could be significant. Consistent with the Bond Act, City Charter and Bond Ordinance, the TIF Bonds will mature serially within 30 years from their respective dates of issuance, with a final maturity of January 1, 2052 (“Final Maturity”). TIF Bonds are expected to mature serially in semiannual installments established under the Bond Indenture on January 1 and July 1 of each year from July 1, 2023 through Final Maturity (“Maturity Dates”). The term of the TIF Bonds may be reduced based upon market conditions and will be established in the Placement Agreement.

Interest Rates; Stepped-Coupon. Interest will be payable semiannually on January 1 and July 1 of each year, commencing July 1, 2020 “Interest Payment Dates”). It is anticipated that all outstanding TIF Bonds will bear interest at the same fixed annual interest rate at any given time, but that the Bonds will have “stepped-coupon” interest rates established in the Bond Indenture and estimated

and summarized as follows: (i) from the TIF Bond Closing date through June 30, 2028, outstanding TIF Bonds will bear interest at approximately 5.00% per year (“Initial Rate”); (ii) from July 1, 2040 until maturity and final payment, outstanding TIF Bonds will bear interest at approximately 6.00% per year (“Final Rate”); and (iii) from July 1, 2028 through June 30, 2040, outstanding TIF Bonds will bear interest at an agreed rate between the Initial Rate and the Final Rate (“Second Rate”). Interest will be calculated for all periods, including the initial period, for a 360-day year comprised of twelve 30-day months. The interest rate or rates on the TIF Bonds are subject to market conditions at the time of pricing, and will be established in the Placement Agreement and may include a floor and ceiling (based on an agreed index and margin) for the Second Rate and Final Rate; provided, that debt service coverage requirements will, in that event, be determined based on the “ceiling” rates for the Second Rate and Final Rate periods.

Sale and Delivery; Deferred Deliveries. All of the TIF Bonds will be sold under the Placement Agreement for delivery as follows: (1) Bonds maturing on or before January 1, 2050 will be authenticated and delivered to the Purchaser at TIF Bond Closing, (2) Bonds maturing on July 1, 2050 will be authenticated and delivered to the Purchaser on July 1, 2020 (“First Deferred Delivery Date”), (3) Bonds maturing on January 1, 2051 will be authenticated and delivered to the Purchaser on January 4, 2021 (“Second Deferred Delivery Date”), (4) Bonds maturing on July 1, 2051 will be authenticated and delivered to the Purchaser on July 1, 2021 (“Third Deferred Delivery Date”), and (5) Bonds maturing on January 1, 2052 will be authenticated and delivered to the Purchaser on January 3, 2022 (“Final Deferred Delivery Date”). The process for delivery of and payment for Bonds to be delivered on each “Deferred Delivery Date” will be established in the Bond Indenture and Placement Agreement.

Optional Redemption. Subject to market conditions, it is expected that the TIF Bonds will be subject to optional redemption at par approximately five (5) years after the TIF Bond Closing date.

Denominations; Form; Global Bond. TIF Bonds may be issued in “authorized denominations” of \$100,000 and any integral multiple of \$5,000 in excess thereof. The TIF Bonds will be issued in certificated fully-registered form and may be issued as one or more Bonds maturing in serial installments; provided, that no Bond shall bear interest at more than one rate at any particular time.

Revenue Bonds; Non-Recourse to City. The Bonds will be issued as tax increment financing revenue bonds secured only by (i) the revenues and security pledged and provided under the Bond Indenture, including Statutory Service Payments and “Minimum Service Payments” or related “Supplemental Payments” (collectively “TIF Payments”) and any other loan payments made under the Loan/Service Agreement, all of which will be assigned by the City to the Trustee under the Bond Indenture, (ii) the TIF Declaration/Mortgage described below, and the (iii) “Guarantees” described below. The Bonds will not be secured by (x) any other revenues, including any tax revenues, of the City or (y) any obligation of the City except the obligation to transfer the TIF Payments to the Trustee at such times as are required under the Loan/Service Agreement and Bond Indenture. As such, the TIF Bonds will be special or limited non-recourse obligations of the City and will not be considered a debt of the City.

Rating; Credit Enhancement. The TIF Bonds will not be rated by any rating agency and will be issued without bond insurance or any other similar credit enhancement.

Additional Bonds. Additional Bonds are not expected to be issuable under the Bond Indenture.

Taxable Bonds. Interest on the TIF Bonds will not be excluded from gross income for federal income tax purposes. With certain exceptions, interest on, and any profit made on the sale, exchange or other disposition of the TIF Bonds, will be exempt from Ohio state and local taxation.

Preliminary Sources and Uses:

Project Costs. The current preliminary estimated sources and uses of funds for the Project, based on current estimates, projections, market conditions and assumptions and a draft of the Approved Project Budget, are as follows:

Sources:*

Construction Loan	\$51,000,000
TIF Bond Proceeds, including Earnings	\$23,865,000
City Greenhouse Purchase Price	\$ 369,632
City Project Proceeds (maximum)	\$ 1,480,368
Member Equity	<u>\$ 3,332,107</u>
Aggregate Project Sources	\$80,047,107

Uses:*

Greenhouse Purchase Price	\$ 369,632
Site Preparation	\$ 3,100,000
Arch., Eng., Design, Permits, Approvals	\$ 4,237,675
Project Improvements Construction	\$56,985,000
FF&E, TI and Project Soft Costs	\$ 6,885,550
Bond/TIF Soft Costs, including Interest	\$ 5,465,000
Contingency	<u>\$ 3,004,250</u>
Aggregate Project Uses	\$80,047,107

* All Project costs are preliminary, estimated, and subject to completion, execution and delivery of a “guaranteed maximum price” construction contract currently under negotiation by the Developer. Developer Member equity, and the Project sources and uses, do not include any allocation for Developer Parties’ overhead related to the Project (estimated at \$3,725,874).

TIF Bonds. The current preliminary estimated sources and uses of funds for the TIF Bonds, based on current information, estimates, projections, market conditions and assumptions, are as follows:

Sources:*

TIF Bond Closing	\$20,025,000
Deferred Deliveries	\$ 3,740,000
Investment Earnings	<u>\$ 100,000</u>
Aggregate TIF Bond Proceeds	\$23,865,000

Uses:*

Project Fund Deposits	\$18,400,000
Bond Reserve Fund	\$ 815,000
Capitalized Interest	\$ 3,230,000
Transaction Costs Paid/Reimbursed	\$ 1,200,000
Other Costs (during CAPI Period)	<u>\$ 220,000</u>
Aggregate TIF Bond Uses	\$23,865,000

* All amounts are estimated or assumed. This assumes \$24.2 million of TIF Bonds are issued and sold at 98.2% of par. All amounts will be adjusted and finalized (and may be adjusted significantly) as of the TIF Bond Closing date to reflect market conditions and pricing, known or revised estimated interest rates, costs, principal amounts, expectations and the TIF Projections.

Security for the Bonds:

Capitalized Interest and Other Payments: Subject to legal requirements, interest on the TIF Bonds is expected to be funded and paid from TIF Bond proceeds through completion of construction of the Project Improvements and until annual Statutory Service Payments are expected to be received in sufficient

amounts to pay the scheduled principal and interest on the TIF Bonds (“Bond Service Charges”) and associated “Administrative Expenses” (together with the Bond Service Charges, “Bond Payments”), including the annual or semiannual fees of the City, the Trustee and a qualified tax increment financing and/or special district administrator appointed by the City under the Bond Indenture (“TIF Administrator”), as well as anticipated additional costs of administering the trust estate under the Bond Indenture. Capitalized Bond Payments are not expected to extend beyond January 1, 2023 unless funded from Developer Party contributions (which will be required if the TIF Projections do not project a full year’s collection of Statutory Service Payments in TY22 (collection year 2023)).

Reserve Fund or Funds. From and after the TIF Bond Closing, a “Bond Reserve” shall be funded in an amount equal to average semi-annual debt service on the TIF Bonds from the TIF Bond Closing through Final Maturity (on the assumption that all Bonds to be delivered on Deferred Delivery Dates are, in fact, delivered on the applicable Deferred Delivery Date). So long as no default has occurred, the Bond Reserve requirement may be reduced in equal amounts (1/4 of original Bond Reserve requirement) on each Maturity Date beginning on July 1, 2050 – with released amounts applied to debt service due on such date[s]. In addition to the Bond Reserve, depending on the TIF Projections and marketing requirements, there may be a supplemental reserve fund requirement in place for the period through completion, valuation and first full-year Statutory Service Payment collection.

Loan and Service Agreement Covenants; TIF Declaration and Mortgage. The Loan/Service Agreement will provide for the terms of the loan of the TIF Bond Proceeds to the Leasehold Owner (“TIF Loan”). The obligation to make loan financing payments (including amounts sufficient to make all Bond Payments) will be evidenced by a promissory note delivered by the Leasehold Owner to the Bond Trustee (“TIF Loan Note”). The Loan/Service Agreement will also provide for the “service agreement” covenants of the Leasehold Owner and the joinder of the Ground Lessee therein, and such service agreement covenants shall be binding on all transferees and subsequent owners of the interests of the Developer Parties in all or any portion of the Project Site (the Ground Lessee, Leasehold Owner and all such transferees and subsequent owners, “Owners”), but subject to apportionment of payment obligations in the event the Ground Lease is subdivided in accordance with its terms. Such covenants, including (without limitation) covenants relating to development of the Project Site consistent with the Development Agreement and the Approved Project Budget, the application for the tax exemption granted under the TIF Ordinance, the statutory liens resulting from that tax exemption and the payment of all TIF Payments, in amounts sufficient to provide for all Bond Payments, will run with the land and be binding on the leasehold interests of the Ground Lessee and Leasehold Owner (and other interests derived therefrom exclusive of individual unit and store leases), and will be evidenced and secured by a declaration and open-end mortgage instrument recorded in the County real estate records, with foreclosure procedures benefiting the City and Bond Trustee, in form and substance satisfactory to the City and Placement Agent (“TIF Declaration/Mortgage”).

TIF Payments; Credits Against Loan Payments. It is anticipated that the County will collect and remit Statutory Service Payments to the City and that the City will transmit all such amounts, within twenty-one (21) days of final settlement with the County Fiscal Officer as to any amounts received, to the Bond Trustee, as assignee. Minimum Service Payments are expected to be invoiced by the Bond Trustee pursuant to direction of the TIF Administrator approximately thirty (30) days before, and will be due and payable at least three (3) business days before, the next-succeeding semiannual Interest Payment Date. The Bonds will be secured, in part, by a senior pledge of and lien on all TIF Payments. It is expected that TIF Payments will always be sufficient to pay all Bond Payments

when and as due and, if and to the extent that TIF Payments are timely made and available to make Bond Payments, such TIF Payments will be credited against the obligation of the Leasehold Owner to make payments to the Bond Trustee on the TIF Loan and TIF Loan Note.

School Compensation Payments. School Compensation Payments will be secured by a subordinate pledge of and lien on all Statutory Service Payments, and shall be paid annually within thirty (30) days after the end of each “**Bond Year**” (generally the period ending on a January 1 principal Maturity Date), in accordance with an acceptable report of the TIF Administrator calculating the annual School Compensation Payments due and payable for the applicable tax collection year. Any amounts remaining after the payment of all required School Compensation Payments for any year shall be applied in accordance with the 76:24 split required by the First Amendment to Development Agreement.

Owners: All Owners will be responsible for compliance with the covenants running with the land and evidenced by the TIF Declaration/Mortgage, including the Minimum Service Payment obligations. The Ground Lessee and Leasehold Owner will be the initial Owners and will be responsible for imposing all such covenants and related liens on their interests in the Project Site Parcel or Parcels, including obligations on each Owner to expressly transfer all such obligations to all succeeding Owners succeeding to such interests in any Project Site Parcel. Appropriate language consistent with the TIF Declaration/Mortgage must be included in any instrument transferring any portion of or interest in any of the Project Site Parcels to a subsequent Owner. Any such instruments shall be in form approved by the City and will require the signature of the transferee with respect to its acknowledgment and acceptance of all such covenants.

County Treasurer Agreement. To provide comfort that tax lien certificates relating to Project Site Parcels will not be sold at less than par, the County Treasurer, pursuant to an agreement with the City and/or Bond Trustee, will agree not to sell any tax lien certificate related to any Project Site Parcel for an amount less than 100% of the applicable tax lien without consent of the City and Bond Trustee.

Guarantees. The Developer Parties will jointly and severally guarantee timely completion of the Project Improvements in accordance with Development Agreement requirements under one or more completion guaranties in form and substance acceptable to the City and Placement Agent (“**Completion Guaranty**”). The Guarantor will guarantee the payment of all TIF Payments under a payment guaranty in form and substance acceptable to the City and Placement Agent (“**Payment Guaranty**”; together with the Completion Guaranty, “**Guaranties**”); provided, that such Payment Guaranty will be released at such time as the Statutory Service Payments have, for two consecutive tax collection years, met or exceeded 125% of the Bond Payments payable for the respective “**Bond Year**” ending on the January 1 immediately following the end of the applicable tax collection year.

City Requirements:

Development Agreement Generally. The Development Agreement will survive delivery of the TIF Bonds, Ground Lease and City Contribution, and completion of the Project Improvements, and the Developer Parties will confirm and perform their obligations thereunder except to the extent, if any, waived in writing by the City. The Loan/Service Agreement will include mutual agreement as to those Development Agreement requirements satisfied and outstanding.

Loan Commitment and Annual Fees. For issuing the Bonds and making the TIF Loan, the City will charge the Leasehold Owner a loan commitment fee equal to 0.4% of the principal amount of the TIF Bonds payable, in full (as to all TIF Bonds, regardless of the Delayed Delivery Dates of certain maturities), on the TIF Bond Closing date. In addition, the Leasehold Owner shall pay the City an

annual loan maintenance fee of 0.2% of the outstanding principal amount of the TIF Bonds, payable semiannually in advance beginning on the TIF Bond Closing Date (pro-rated for the period prior to the first Interest Payment Date) and thereafter on each Interest Payment Date (based on outstanding principal amount at the beginning of the interest period ending on the applicable Interest Payment Date). In addition, the Leasehold Owner will be responsible for all Bond Trustee, TIF Administrator fees and charges, and other Administrative Expenses. All such amounts due on the TIF Bond Closing date and during the period when interest is capitalized, are expected to be paid or provided for from TIF Bond Proceeds. Thereafter, all such Administrative Expenses are expected to be paid from the Statutory Service Payments as part of the Bond Payments and will, to the extent established in the Bond Indenture, have priority over Bond Service Charges.

Indemnification. The Developer Parties hereby accept responsibility for and will defend and indemnify the City and Bond Trustee against all costs, expenses and liabilities relating to the issuance, administration, security and enforcement of the TIF Bonds, the construction of the Project Improvements (except to the extent payable from Net TIF Bond Proceeds or the City Contribution), and the operation and use of the Project including, without limitation, any and all claims for damages or injury to persons or property in, on or about the Project Site or the Project Improvements. The Ground Lessee, the Leasehold Owner and any other Owner will be required to name the City and Bond Trustee as additional insureds under applicable liability policies and as loss payees on casualty policies, including builders' risk policies, insuring the Project.

Inclusion and Prevailing Wages. Developer Parties shall use commercially reasonable efforts, and will require that the general contractor ("GC") use commercially reasonable efforts (including requiring subcontractors to use commercially reasonable efforts), to achieve minority and female business enterprise ("MBE/FBE") participation goals acceptable to the City in connection with the construction of the Project Improvements, including utilization of certified MBE/FBE businesses in the construction of the Project Improvements at an aggregate level of 20% or greater. In addition, Developer Parties shall use commercially reasonable efforts, and will require that the GC use commercially reasonable efforts (including requiring subcontractors to use commercially reasonable efforts), to ensure that laborers and mechanics employed on the Project are paid at the prevailing rates of wages of laborers and mechanics for the class of work called for with respect to that work (determined in accordance with ORC Chapter 4115 requirements for such determinations) to the extent reasonably practicable consistent with the Approved Project Budget and, in any event, at an aggregate level of not less than 35% of related Project Costs (of laborers and mechanics employed on the Project). Representatives of Developer Parties and of GC will provide a semiannual status report to the City through completion (with the first such report due by August 1, 2020 (for the period ending June 30, 2020), with respect to then-current and cumulative MBE/FBE participation and prevailing wage payments, in the construction of the Project Improvements, and an affidavit as to cumulative MBE/FBE participation and prevailing wage payments upon completion.

Developer Parties shall use commercially reasonable efforts, and will require that the GC use commercially reasonable efforts (including requiring subcontractors to use commercially reasonable efforts), to achieve the goals of having a majority of workers participating in construction on the Project Improvements (excluding Developer employees) being residents of northeast Ohio, and having the number of out-of-state workers (excluding Developer employees) not exceeding one-sixth (1/6) of the workforce on the Project Improvements. In furtherance of such goals, Developer and GC, together with applicable subcontractors, shall hold at least two worker outreach events in Cleveland Heights, with advance notice to the City, within six (6) months after

the TIF Bond Closing date, to promote local worker participation on the Project. The Developer Parties agree to share, and will require that the GC agree to share (and require its subcontractors to share) with the City and its agents, including but not limited to the Regional Income Tax Authority, all information needed to facilitate tracking of project construction workers on a monthly basis to assure payment of appropriate income taxes due to the City from such employment. Developer Parties shall also use commercially reasonable efforts, and will require that the GC use commercially reasonable efforts (including requiring subcontractors to use commercially reasonable efforts), to achieve a diverse workforce constructing the Project Improvements.

Other Participants:

Placement Agent. The City designated RSA as the Placement Agent to market the TIF Bonds after discussion with the Developer. The TIF Bonds are expected to be privately placed by RSA with the Purchaser (expected to be one or two financial institutions, funds or other permitted investors, as established in the Bond Placement Agreement). Purchaser will provide and confirm, on delivery, representations acceptable to the City and Placement Agent regarding its investigation, investment intent, and non-distribution. Fees and expenses of RSA in structuring and placing the Bonds will be established in the Bond Placement Agreement with approval of the Developer and the City.

Bond Counsel. The City retained Squire Patton Boggs (US) LLP as Bond Counsel after discussion with the Developer. Except to the extent paid previously, or paid or reimbursed from TIF Bond proceeds, the Developer Parties accepted and hereby confirm their responsibility for the reasonable fees and expenses of Bond Counsel, whether incurred prior to or after the signing of this Term Sheet or any separate engagement agreement and whether or not any TIF Bonds are ever issued. Any fees previously paid may be reimbursed from TIF Bond proceeds.

Other Counsel. For purposes of the transactions contemplated herein, the Developer Parties have designated Thompson Hine LLP as their counsel, the City has designated Tucker Ellis LLP as its development counsel, and the Placement Agent has retained Vorys, Sater, Seymour and Pease LLP as its counsel. Associated fees and expenses relating to issuance of the Bonds and any fees and expenses of counsel to the Purchaser, are expected to be payable from proceeds of the TIF Bonds.

TIF Consultant. RSA will retain MuniCap, Inc. or other qualified consultant acceptable to the City, at the Developer's cost, for an acceptable and independent estimate of the projected Statutory Service Payments expected to be realized from the Project Site Parcels and pledged to the Bond Payments. These TIF Projections will be disclosed to the Purchasers and must show that, while taking into account all terms of the School Compensation Agreement (including no increases in valuation after valuation upon stabilization and 100% payment to the School District of Statutory Service Payments relating to any School District millage approved as new after March 20, 2018), the projected Statutory Service Payments from the Project Site Parcels (at the time of marketing the TIF Bonds) are, in each year of collection, expected to equal at least (i) 125% of the estimated Bond Payments to be paid therefrom, and (ii) 100% of the sum of the estimated Bond Payments and estimated School Compensation Payments to be paid therefrom. All related costs will be paid or reimbursed from Bond proceeds.

TIF Administrator. MuniCap, Inc., or other qualified company appointed by the City under the Bond Indenture and a separate Administration Agreement. Will be responsible for Annual and Semiannual reports relating to administration of the TIF Bonds, application of available revenues, the need for and invoicing of any Supplemental Payments and any reporting required by the Purchaser.

Trustee. The Huntington National Bank, Cincinnati corporate trust office.

Timetable:

A preliminary critical path timeline has been issued and updated prior to the execution of this Term Sheet and will be further updated from time to time.

Modification:

This Term Sheet may be modified with the approval of all affected parties, but it is specifically understood and agreed that all final terms and conditions of the TIF Bonds will be established in the Financing Documents and in connection with the placement of the Bonds, and such terms and conditions may be different than those contained in this Term Sheet.

Subject to execution on behalf of the Developer Parties of this Term Sheet, the City will authorize Bond Counsel to commence drafting Financing Documents and other related documents for the issuance, sale and delivery of the TIF Bonds.

ROSS, SINCLAIRE & ASSOCIATES, LLC

CITY OF CLEVELAND HEIGHTS, OHIO

Daniel R. Blank, Managing Director

Tanisha Briley, City Manager

Approved as to form and correctness:

William Hanna, Law Director

**Acknowledged, Approved, Accepted and Agreed, as
authorized by and on behalf of all Developer Parties:**

F & C DEVELOPMENT, INC., DEVELOPER

David Flaherty, Chief Executive Officer