



Agreement

Between The Apiary and its Supporting Community Organizations for the Creation of a Rhode Island Community Development Equity Fund

Purpose

This document describes the scope of work to be executed by The Apiary, LLC incorporated in Rhode Island, with offices located at 64 Channing Ave. Riverside, RI 02915, in association with its Supporting Community Organizations(s): The City of Central Falls, Rhode Island, with offices located at 580 Broad Street, Central Falls, RI 02863 (together, "SCOs") to establish the Rhode Island Community Development Equity Fund ("RICDEF") to invest in midsize real estate development projects in Distressed Communities in Rhode Island, as defined by Rhode Island General Law.

This document outlines how The Apiary and its SCOs will attempt to raise private equity funds for real estate development projects in Distressed Communities. The investments will come via a Direct Public Offering ("DPO") to Accredited and Unaccredited Investors, as defined by the Securities and Exchange Commission, in Rhode Island. The primary role of the RICDEF is to fill in the equity gaps that prevent the redevelopment of mid-sized properties (between 5,000 and 20,000 square feet in size) in Rhode Island's distressed urban core due to a challenging economic environment. An additional objective is to demonstrate the potential for targeted local investing in Rhode Island.

Background

Existing public tools for economic development aren't sufficient for normalized economic growth. The private investment community shows little interest for mid-sized projects due to inability to leverage risk with scale and required expertise associated with larger projects, as well as financial returns that don't offset those conditions. Outside investment in Rhode Island's distressed urban core isn't viable due economic and political conditions, but investment needs to occur nonetheless in order to transform these areas from those of blight and decay to invigorated activity. The investors that stand to earn the highest return in revitalization of Rhode Island's urban core are its residents. They're able to earn *direct and indirect* benefits from tangible investments within the communities they reside. Unlike the traditional investment opportunities available to Unaccredited Investors (typically home ownership), which have limited ability to shift a market in and of themselves, an investment in the RICDEF is diversified across multiple properties and because of its scale could speed the recovery of the targeted geographic area. *The RICDEF empowers unaccredited investors in Rhode Island to directly invest in the changes they want to see in their community.*

Project Objective

The main objective of this association between The Apiary and its SCOs is to work collaboratively to raise the funds required to cover legal expenses associated with registering the DPO and additional

expenses tied to a statewide marketing and education effort to raise awareness and garner interest in investment in the RICDEF.

The pre-Fund association will:

- Pay legal fees to Cutting Edge Capital of California, a firm experienced in coordinating similar efforts throughout the country, associated for the registering of the offering
- Pay fees for a DPO course offered by Cutting Edge Capital intended to educate The Apiary and The City of Central Falls on DPO best practices, regulatory compliance, and pre- and post- raise accounting practices
- Pay fees associated with marketing of DPO
- Utilize remaining fund to pay other costs identified by The Apiary

The RICDEF will:

- Target clusters of investment in Rhode Island's Distressed Communities
- Investment will take multiple forms:
 - o 100% cash acquisition and development with traditional long-term financing of stabilized site.
 - o Mezzanine financing for 3rd party development entities with aligned objectives
 - o Traditional equity with bridge loan to long-term financing
- Invest in value-add "Main Street" projects ranging from 5,000 to 40,000 feet.
- Develop residential and commercial projects for households with income at or below 120% of area median income.
- Target long-term investment opportunities with expected annual returns of > 8%.

Roles and Responsibilities:

SCOs

Each participating SCO will have at least one key Project Champion.

| | |
|---------------|------------------|
| SCO | Project Champion |
| Central Falls | Peter Friedrichs |

The SCOs will advocate for the RICDEF's importance in advancing the economic prospects of their community.

Specific responsibilities of SCOs include:

- Advocate for the benefits of this association for their community in raising funds;
- Sponsorship of and attendance at local information session(s) in their community;
- Assisting the RICDEF in locating projects within their community;



- Other responsibilities agreed on between the signatories of this Agreement

The Apiary

The Apiary will:

- Bring experienced development advisors to the RICDEF that strengthen the returns of the RICDEF both for investors and the communities it works in.
- Commit to long-term equity positions in the community and the redevelopment of distressed "Main Street" assets.

Key Resources/Inputs

The success of the raise requires:

- A key Project Champion from each SCO
- A robust marketing and education initiative
- Public advocacy of the part of Project Champions
- Clear delineation between public and private goals and objectives

Summary of Deliverables

At the conclusion of the project, we will:

- Put the RICDEF to a "vote" with dollars before the citizens of Rhode Island. We will put the best message and effort behind it and they will decide if this is how they want to drive change within their state by contributing enough to establish the RICDEF.
- Shortly after the conclusion of the RICDEF enrollment period investment will begin to be undertaken in the designated urban areas.
- As a seed investor, at least two of the first five projects will be undertaken in Central Falls

Costs

Pre-RICDEF costs are estimated as follows:

| Source | Contribution | Use |
|------------------------------|-----------------|------------------------------------|
| The Apiary | \$7,500 | DPO Course & Offering Registration |
| City of Central Falls | \$7,500 | DPO Course & Offering Registration |
| Future SCOs to be Identified | \$10,000 | Offering Registration Contingency |
| Future SCOs to be Identified | \$70,000 | DPO Marketing |
| TOTAL | \$95,000 | |



*Funds are committed, but not distributed until 2/3 of all funding is secured.

Additional SCO's

Additional SCO's may be identified to expand the financial capacity of the association and increase the likelihood of success of the RICDEF. Additional SCO's shall be entered into this Agreement through Addenda signed by all existing and additional SCO's.

Project Timeline

February 2016 – Sign Agreement
February/March – Jointly pursue additional SCO's
April – The Apiary and SCO's begin DPO Course
May/June – Hire marketing firm and begin crafting marketing campaign
June – Complete DPO Course and begin DPO registration
July – Complete DPO registration & start marketing DPO
September – Close DPO
Fall/Winter – 2016 Begin investment period

Termination

This Agreement may be terminated at any time per the mutual agreement of all parties. It shall expire at the identification of the first real estate investments by the RICDEF or the passage of the Project Timeline.

Indemnification

The Apiary shall fully indemnify, hold harmless, and fully defend SCO's and their directors, officers, employees, agents, and affiliates from and against all claims, demands, suits, damages, liabilities, losses, settlements, judgements, costs, and expenses, whether or not involving a third party claim, which arise or relate to all actions taken with respect to the DPO and establishment and operation of the RICDEF, whether or not caused by the negligence of SCO's and whether or not the relevant claim has merit.



The Apiary




Agreed, on this ___ day of _____, 2016.

The Apiary:



Ruarri Miller


Date: 2-23-16

City of Central Falls.

By: _____
James Diosa
Mayor

Date: 3-10-16

By: 

As to Form and Correctness
Matthew Jerzyk
City Solicitor

By: 

Reviewed
Leonard Morganis
Administrative and Finance
Officer

