National Equity Fund INC
an affiliate of LISC

April 1, 2015

Rick Higgins
President
Norstar Development USA, L.P.
733 Broadway
Albany, NY 12207

Jennifer Hall
Executive Director
Ann Arbor Housing Commission
727 Miller Avenue
Ann Arbor MI 48103

Re: ***West Arbor*** (the "Project")
701-739 North Maple Road and 743-749 North Maple Road, Ann Arbor MI

Dear Mr. Higgins and Ms. Hall:

On behalf of National Equity Fund, Inc. ("NEF"), I am pleased to provide this Letter of Intent (the "Letter") which sets forth the proposed business terms and conditions under which NEF, through its affiliate NEF Assignment Corporation ("Assignment Corporation"), would be willing to invest in the above-named Project by purchasing a 99.99% interest in the Limited Partnership formed to own and operate the Project. For purposes of this Letter, references to "NEF" shall mean National Equity Fund, Inc. and its affiliates, including without limitation Assignment Corporation. This Letter is based on the assumptions contained in the materials which were provided to us and which are summarized in the financial projections attached in Exhibit B ("Projections"). Any changes in these assumptions may change the terms and conditions, including the price, contained in this Letter.

Upon acceptance of the terms and conditions outlined in this Letter, NEF will begin its standard due diligence review and seek approval of the investment from its Investment Review Committee ("IRC"). Upon approval of the investment by the IRC, satisfaction of the conditions contained in this Letter and satisfaction of all of the conditions or modifications to this proposal as imposed by the IRC, NEF will enter into a Limited Partnership Agreement, based on NEF's current model form ("Limited Partnership Agreement"), and other related agreements. The Limited Partnership Agreement and such related agreements will incorporate, modify and/or elaborate on the terms and conditions stated in this Letter, in accordance with the terms and conditions approved by the IRC, and proceed to close on the investment.

In the event the terms and conditions described in this Letter differ from the terms and conditions that are eventually set forth in the Limited Partnership Agreement, the terms and conditions of the Limited Partnership Agreement will control and supersede all prior agreements when it is approved and executed by NEF.

1. <u>Property Information</u>

The Project consists of the rehabilitation of four (4) units and new construction of 42 family low income housing tax credit units (the "Tax Credit Units") located at 701 North Maple Road in Ann Arbor. The site is currently owned by the City of Ann Arbor who has agreed to transfer the parcels to the Ann Arbor Housing Commission (AAHC) as public housing and will be leased to the owner entity under a long-term ground lease.

The Project is being co-developed by Norstar Development USA, L.P. and AAHC. AAHC intends to convert these public housing units to project-based Section 8 vouchers via participation in HUD's Rental Assistance Demonstration Program ("RAD"). The NEF Projections assume that the RAD subsidy term will be for 20 years, subject to annual appropriations of budgetary authority to HUD by the US Congress. Rents will be affordable to individuals with income at or below 30% to 60% of the area median income.

2. <u>Property Ownership</u>

Limited Partnership:	West Arbor Limited Dividend Housing Association Limited Partnership (the "Limited Partnership")
General Partner:	West Arbor GP, LLC a limited liability company controlled by Ann Arbor Housing Development Corporation ("AAHDC")
Administrative General Partner:	Norstar West Arbor, Inc.
Sponsor/Developers:	Norstar Development USA, L.P., ("Norstar") a for-profit entity Ann Arbor Housing Commission ("AAHC"), a 501(c)(3) tax-exempt , not-for-profit entity
Guarantors:	Norstar, construction through stabilization.

	AAHDC, construction completion, stabilization and operating
Limited Partner:	One or more investor funds, limited partnerships or limited liability companies of which NEF or its affiliate is the general partner or managing member, or Assignment Corporation, as nominee, on behalf of one or more such entities.

3. Other Parties

General Contractor:	Norstar Building Corporation
Property Manager:	AAHC and SPR Property Management LLC/Premier Property Management ("PPM")

Note: All parties must be approved by NEF

4. Project Financing

A. Construction Loan. The Limited Partnership expects to receive a construction loan term sheet or commitment for the Project. NEF's projections assume a construction loan in the amount of $8,525,000 for 24 months at 4% interest rate.

B. Permanent Financing. The permanent financing on the project is as follows: (All loans are non-recourse loans, unless otherwise noted, and all financing structures must be acceptable to NEF.)

Lender	Lender/Source	Amount	Interest Rate	Term	Amort	Hard/Soft Debt	Available During Const. (y/n)
First Mortgage	TBD	1,862,500	6%	30	30	Hard	No
Second Mortgage	AAHC or AHP	366,022	5.5%	30	30	Soft	Yes
Third Mortgage	AAHC	389,178	5.5%	30	30	Soft	Yes
Fourth Mortgage	County	724,000	5.5%	30	30	Soft	Yes

Permanent amortizing debt must be evidenced by a fixed-rate commitment for a minimum of 16 years with terms acceptable to NEF.

5. Timing Assumptions

The terms and conditions of this Letter are based on the following timing assumptions:

Benchmark	Date
Limited Partnership Closing	June 1, 2015
Construction Start	June 1, 2015
Placed In Service Date	October1, 2016
100% Qualified Occupancy	January 1, 2017
Stabilized Occupancy	March 1, 2017

If the timing assumptions set forth above are not met, the terms and conditions set forth in this Letter, including the purchase price, will be subject to change. The term "Tax Credit Compliance Period" as used herein shall mean, with respect to each building in the Project, the 15 taxable years beginning with the first taxable year of the 'Credit Period', as defined in Section 42 of the Internal Revenue Code, as amended ("Code").

6. Tax Credits*

	Reservation/Allocation
Year:	2014
Allocation Agency:	Michigan State Housing Development Authority
Credit Percentage:**	7.57%
Locked-in (y/n):	N
Applicable Fraction:	100%
Basis Boost DDA/QCT or (as evidenced by letter from allocating agency) granted by state (y/n):	Y, MSHDA approved
Projected Annual Tax Credits:	$886,000

Timing of Credits	Amount	Projected Year
Projected 1st Year Tax Credits:	$160,507	2016
Projected 2nd Year Tax Credits:	$886,000	2017
Projected Tax Credits Years 3-10:	$886,000	2018-25
Projected Tax Credits Year 11:	$725,493	2026
Projected Tax Credits Year 12:	$0	2027
Historic Credits Received: (year)	N/A	

* All references to 'Tax Credits' shall mean low-income housing tax credits under Section 42 of the Code;

** If the Project is expected to receive a Tax Credit allocation after January 1, 2014, Sponsor must elect the Credit Percentage as of the date of the carryover allocation or the Credit Percentage as of the date of placement in service.

7. Tax Credit Price and Pay-In Schedule

The Limited Partner will purchase the Tax Credits described in Paragraph 6 for a total purchase price of $9,104,511 ("Capital Contributions"), or $1.028 or each $1.00 of projected Tax Credits. Proceeds of the Capital Contributions will be used to fund Project equity ("Project Equity") and the non-deferred portion of the Developer Fee ("Non-Deferred Developer Fee"). NEF will advance Project Equity and the Non-Deferred Developer Fee in installments, based upon its determination that the applicable conditions specified in the Limited Partnership Agreement for payment of that installment ("Applicable Conditions"), including without limitation the conditions specified below, have been met. Equity disbursements for hard costs during construction will be made through the construction lender's escrow or, if there is no construction lender, through a title company pursuant to a disbursement agreement acceptable to NEF in form and content. Installments of Project Equity will be made in accordance with the following schedule:

A. <u>First Installment</u>: $1,353,523 (15%) to be paid upon satisfaction of the Applicable Conditions which shall include:

(i) Receipt of General Partner's election within 60 days after formation to be taxed as a corporation;
(ii) Admission of NEF to the Limited Partnership and evidence acceptable to NEF that construction has commenced.

$55,000 of this installment will be used to pay for NEF's due diligence and closing costs, including the issuance of the tax opinion.

B. <u>Second Installment</u>: $2,965,605 (33%) to be paid upon satisfaction of the Applicable Conditions which shall include:

(i) Completion of 100% of the construction of the Project as evidenced by the construction disbursement documents and approved by NEF's construction inspector;
(ii) Receipt of satisfactory evidence that the 10% Carryover Allocation documents have been met, if not already provided at Closing;
(iii) Receipt of 168(h)(6)(F)(ii) election attached to General Partner's tax return;
(iv) Receipt of temporary Certificates of Occupancy;
(v) Receipt of an architect's certification indicating that all the work has been substantially completed in accordance with plans and specifications;
(vi) Receipt of a preliminary Cost Certification verifying the Tax Credit basis;
(vii) Satisfaction of any outstanding requirements related to payment of the prior installment; and
(viii) **January 1, 2017.**

C. Third Installment: $4,685,849 (51%) to be paid upon satisfaction of the Applicable Conditions which shall include:

(i) 100% Qualified Occupancy of all Project Tax Credit Units;
(ii) Closing of the Project's permanent loan and receipt of executed permanent loan documents in approved form;
(iii) General Partner's performance of the Permanent Loan Conversion Guaranty;
(iv) Achievement of Stabilized Occupancy (generally defined as at least 90% occupancy with a Debt Service Coverage Ratio of 1.15 or better for a three consecutive month period after construction completion);
(v) Completion of any outstanding punchlist items;
(vi) Receipt of Owner's date down title insurance coverage;
(vii) Receipt of a satisfactory "As-Built" ALTA survey;
(viii) Receipt of final lien waivers from the General Contractor;
(ix) Evidence of the receipt (or filing) of real estate tax abatement;
(x) Evidence that all of the Project's reserves have been established and funded (or will be established and funded with the proceeds of this installment) at the required levels;
(xi) Satisfaction of radon testing requirements;
(xii) Receipt of fully executed Form 8609 for all Project buildings;
(xiii) Receipt of the fully executed RAD Contract;
(xiv) Receipt of the recorded Extended Use Agreement;
(xv) Receipt of the owner's title insurance policy in final form;
(xvi) Satisfaction of any outstanding requirements related to payment of the prior installment; and
(xvii) **May 1, 2017.**

$190,500 of this installment will be used to fund the Operating Reserve.

D. Fourth Installment: $99,536 (1%) will be paid upon satisfaction of the Applicable Conditions which shall include:

(i) Receipt by NEF of the first year's tax return and K-1;
(ii) Satisfaction of any outstanding requirements related to payment of the prior installment; and
(iii) **April 1, 2018.**

8. Developer Fee

The Developer will earn a fee for development services in the aggregate amount of $1,500,000 (the "Developer Fee"). A portion of the Developer Fee in the amount of $0 (0%) will be deferred ("Deferred Developer Fee") and payable from cash received from the operation of the Limited Partnership, less debt service and operating expenses ("Cash Flow"), during the Tax Credit Compliance Period. Any principal balance and/or accrued interest on the Deferred Developer Fee remaining unpaid by the end of the fifteenth (15th) year of the Tax Credit Compliance Period shall be paid in full by the General Partner.

The Non-Deferred Developer Fee shall be paid from the Capital Contributions on the following schedule upon the satisfaction of all Applicable Conditions (Note: No Developer Fee shall be paid until NEF has received satisfactory evidence that construction of the Project has begun, as evidenced by receipt of a permit ready letter for all buildings and a notice to proceed.):

Capital Contribution Installment	Percentage of Total Fees	Amount of Payment
Upon the First Installment	20%	$300,000
Upon the Third Installment	73%	$1,100,465
Upon the Fourth Installment	7%	$99,536
Total:	100%	$1,500,000

9. <u>Adjustments to Purchase Price (Credit Adjusters)</u>

A. **<u>Low Income Housing Tax Credit Adjusters</u>**

(i) **<u>Permanent Reduction in Tax Credits</u>.** If the actual Tax Credits allocated to the Project as determined by the Project Accountant are less than the projected Tax Credits, the Capital Contributions will be decreased by $1.028 times the amount by which the actual Tax Credits are less than the projected Tax Credits. If the amount so calculated exceeds remaining unpaid Capital Contributions, the General Partner shall pay to the Limited Partnership an amount that, when combined with any such decrease in Capital Contributions, compensates the Limited Partner for the permanent reduction in Tax Credits on an after-tax basis.

(ii) **<u>Timing Difference in Tax Credits (Downward) – First and Second Year Tax Credits</u>.** In the event that Tax Credits are not available to the Limited Partner during the Project's first and second tax credit years in the amounts shown in Paragraph 6 above**,** the Capital Contributions will be reduced by $.50 times the amount of the first and second year Tax Credit shortfalls. This reduction is intended to compensate the Limited Partner for the reduced present value of such Tax Credit shortfalls, while taking into account the Tax Credits the Limited Partner may be entitled to receive no later than the 11th and 12th years of the

Compliance Period. If the amount so calculated exceeds remaining unpaid Capital Contributions, the General Partner shall pay to the Limited Partnership an amount that, when combined with any such reduction in Capital Contributions, compensates the Limited Partner for the timing difference in Tax Credits on an after-tax basis.

(iii) **Permanent Increase in Tax Credits.** Subject to Paragraph 9.A.(v), the Limited Partner will increase its Capital Contributions to the Limited Partnership by an amount that is equal to the amount of additional Tax Credits times the price per Tax Credit specified in Paragraph 7.

(iv) **Timing Difference in Tax Credits (Upward) – First Year Tax Credits.** If it is determined that the amount of actual Tax Credits for the period prior to the end of the projected first tax credit year for the Project will be greater than the projected Tax Credits for the period prior to the end of projected first tax credit year as shown in Paragraph 6 above and NEF is provided with satisfactory written documentation to evidence the allocation of the tax credit increase for such period, then, subject to Paragraph 9.A.(v), the Limited Partner will increase its Capital Contributions to the Limited Partnership by an amount equal to (a) $.50 multiplied by (b) the difference between the amount of actual Tax Credits for the period prior to the end of the projected first tax credit year and the projected Tax Credits for the period prior to the end of the projected first tax credit year as shown in Paragraph 6 above.

(v) **Limitations on Upward Adjuster.** The Limited Partner will increase its Capital Contributions only once during the 90 day period following the later of (a) achievement of Stabilized Occupancy or (b) the allocating agency's issuance of the Form 8609 for all buildings. The Limited Partner will increase its Capital Contributions under Paragraphs 9.A.(iii) and 9.A.(iv) only if, in the sole discretion of NEF, there are sufficient funds available to make the additional Capital Contributions. Any such upward adjustments under Paragraphs 9.A.(iii) and 9.A.(iv) will be limited in the aggregate to a maximum of 5% of the Limited Partner's original Capital Contributions. If NEF is not able to increase its capital contribution under 9.A.(iii), the LP will allow a dilution of its share of the partnership to allow either GP to make a capital contribution and utilize the additional credits.

(vi) **Ongoing Tax Credit Shortfall.** If for any fiscal year after the end of the first Tax Credit year, the actual Tax Credits received by NEF are less than the projected Tax Credits, or if there is recapture (as defined in Section 42 of the Code) of Tax Credits, then any remaining portion of the NEF Capital Contributions will be reduced by one dollar for each dollar of reduction of the projected Tax Credits and each dollar of Tax Credits that is recaptured up to a maximum amount equal to the total amount of the AAHC share of Developer Fee, but not less than $350,000. If the amount of reduced and/or recaptured Tax Credits exceeds any remaining unpaid Capital Contributions, then the General Partner shall pay to the Limited Partnership an amount that, when combined with any such reduction in Capital Contributions, compensates the Limited Partner for the reduction and/or recapture of Tax Credits on an after-tax basis.

10. Reserve Requirements

A. **Operating Reserve**. $190,500 will be funded from a portion of the Limited Partner's Capital Contributions**.** NEF must approve all withdrawals from the Operating Reserve account. This Operating Reserve account will remain with the Limited Partnership through the entire Tax Credit Compliance Period and any funds in the account at the end of such period first shall be used to pay the Limited Partner's exit taxes and any amount remaining after payment of such exit taxes shall be distributed in accordance with the priorities identified for Sale/Refinancing proceeds under Paragraph 13 hereof.

B. **Replacement Reserve**. The General Partner shall fund the Replacement Reserve account in the annual amount of $300 per unit per year (to be increased annually by three percent (3%) from Project revenues throughout the Tax Credit Compliance Period. NEF's prior written consent will be required for withdrawals during any calendar year that in the aggregate exceed the lesser of (i) the amount specified in the NEF approved budget or (ii) ten percent (10%) of the amount then remaining in the Replacement Reserve account. Any funds remaining in the Replacement Reserve account at the end of the Tax Credit Compliance Period shall first be used to pay the Limited Partner's exit taxes and any amount remaining after payment of such exit taxes shall be distributed in accordance with the priorities identified for Sale/Refinancing proceeds under Paragraph 13.

11. General Partner Guaranties and Other Obligations

A. **Development Completion Guaranty.** The General Partner and Guarantors, jointly and severally, will provide the Limited Partnership with an unlimited guarantee of construction completion and will pay any and all operating deficits prior to achievement of Stabilized Occupancy of the Project. The General Partner agrees to provide monthly reports to NEF during construction. NEF requires that the general contractor provide (i) either a Stipulated Sum Contract or a Guaranteed Maximum Price Contract (using the current AIA form of agreement), and (ii) either a letter of credit equal to 15% of the total construction cost or a 100% payment and performance bond. Payments made under this guarantee will be considered unsecured General Partner loans to the Limited Partnership bearing no interest.

B. **Operating Deficit Guaranty**. The General Partner and the Guarantor, jointly and severally, will provide an Operating Deficit Guaranty in the amount of $190,500 [equivalent to six months of operating expenses, replacement reserves, and debt service] until such date as the Project has maintained a 1.15 debt service coverage ratio**,** measured on an annual basis, for a period of two consecutive years commencing on or after the second anniversary of the achievement of Stabilized Occupancy; provided, however, that if, on such date, the amount of funds remaining in the Operating Reserve (excluding any amount funded into the Operating Reserve pursuant to the General Partner's Permanent Loan Conversion Guaranty) is less than the amount specified in Paragraph 10.B of this letter, then the Operating Deficit Guaranty shall continue in full force and effect until the amount of funds in the Operating Reserve is restored to an amount that is not less than the amount specified in Paragraph 10.B. Payments made under this guarantee will be considered unsecured General Partner loans to the Limited Partnership bearing no interest. AAHDC will maintain $350,000 in liquidity during the Guaranty Period.

C. **Repurchase**. The General Partner and Guarantor, jointly and severally, shall repurchase the Limited Partner's interest for an amount at least equal to the sum of: (i) the amount of its Capital Contributions that have been funded, and (ii) all expenses incurred by the Limited Partner in connection with the transaction and not reimbursed at closing (and the Limited Partner shall have no further obligation to fund any remaining installments of its Capital Contributions) upon the occurrence of certain major adverse events which will be described in detail in the Limited Partnership Agreement, such as events adversely affecting the continuing viability of the Project or its ability to generate the projected Tax Credits.

D. **Permanent Loan Conversion Guaranty**. If, immediately prior to the conversion of the construction loan to the permanent loan(s), NEF determines that the Right-Sized Permanent Loan Amount, as defined in the Limited Partnership Agreement, is less than the amount(s) of the permanent (must-pay) loan(s) set forth in the Projections, then the amount of the permanent loan(s) shall be reduced to the Right-Sized Permanent Loan Amount and the General Partner shall provide all funds to the Limited Partnership necessary to (i) fill the gap resulting from such reduction and (ii) pay any prepayment penalties or premiums charged by the permanent lender in connection with such reduction. If the Limited Partnership is prohibited from reducing the amount of the permanent loan by the terms of the permanent loan documents, then the General Partner will defer its developer fee, or use its own funds to deposit into the Operating Reserve the amount it otherwise would be required to pay to reduce the permanent loan to the Right-Sized Permanent Loan Amount.

E. **Environmental Indemnification.** The General Partner and the Guarantor, jointly and severally, shall provide to the Limited Partnership and the Limited Partner an environmental indemnification with regard to the presence of any hazardous substances or the existence of other environmental conditions at the Project Property. NEF's standard environmental indemnification provisions shall be set forth in the Limited Partnership Agreement.

F. **Service Guaranty**. If the Limited Partnership is required by any contracts related to the construction or operation of the Project to provide services to the tenants and the cost of such services is not included in the Projections, then the General Partner shall guaranty that such services are provided at no cost to the Limited Partnership.

G. **Guaranty of General Partner's Obligations.** AAHC Developer shall guaranty the full performance of all of the General Partner's obligations under the Limited Partnership Agreement.

12. Fees to the Management Agent, General Partner and NEF

A. The Management Agent will receive a Property Management Fee in the amount of 6% of gross collected rents. If the Property Manager is related to the General Partner, the payment of the Property Management Fee will be subordinated to maintain breakeven operation.

B. NEF will be paid an annual, cumulative Asset Management Fee in the amount of $5,000 (increased annually at 3%) from Project Cash Flow.

C. The General Partner will receive an annual, non-cumulative Incentive Partnership Management Fee in the amount shown below in Paragraph 13

D. NEF will be paid a Disposition Fee in the amount of $25,000 out of the net sales proceeds of the sale, transfer or other disposition of the Project or the Limited Partner's Project interest.

13. <u>Distribution of Cash Flow and Sales/Refinancing Proceeds</u> [Projections assume a 27.5 year depreciation period for the Project]

<u>Cash Flow</u>: Cash Flow to the Limited Partnership shall be distributed as follows:

1) To the Limited Partner to pay any unpaid Tax Credit adjuster amount;
2) To NEF to pay the Asset Management Fees;
3) To the Limited Partner to repay any Limited Partner loans;
4) To Maintain/replenish the Operating Reserve (if applicable);
5) To the Developer to pay any Deferred Developer Fee;
6) To the General Partner to repay any General Partner loans;
7) To the General Partner to repay any guaranty advances;
8) To the General Partner, a non-cumulative Incentive Management Fee equal to 90% of remaining Cash; and
9) The remainder 0.01% to the General Partner and 99.99% to Limited Partner.

NOTE: The Limited Partner must receive at least 10% of all cash flow distributions remaining after payment of Item #7 above.

<u>Sale/Refinancing</u>: Any gain upon sale or refinancing shall be distributed as follows:

1) To the Limited Partner to pay any unpaid Tax Credit adjuster amount;
2) To the Limited Partner to pay any exit tax liabilities;
3) To NEF to pay any unpaid Asset Management Fee;
4) To the Limited Partner to repay any Limited Partner loans;
5) To the Developer to pay any Deferred Developer Fee;
6) To NEF to pay the Disposition Fee;
7) To the General Partner to repay any General Partner loans (other than guaranty advances);
8) To the General Partner to pay any unpaid Partnership Management Fee;
9) To the General Partner to repay any guaranty advances;
10) The remainder 90% to the General Partner and 10% to Limited Partner.

14. <u>Right of First Refusal and Purchase Option</u>

If the General Partner agrees to maintain the property for low-income use, as defined in Section 42 of the Code, for a total period of at least 30 years, the Project may be disposed of as follows:

A. **Right of First Refusal**

If the Sponsor is a 501(c)(3) entity, it will be granted a right of first refusal to purchase the Project at the end of the Tax Credit Compliance Period, for a price equal to the sum of: (a) all outstanding Limited Partnership debt, including Limited Partner loans, (b) any state, local or federal taxes projected to be imposed on the Limited Partner as a result of the sale, and (c) any unpaid portion of any Credit Adjuster payments due and owing to the Limited Partner. The Sponsor will pay the Disposition Fee to NEF upon Sponsor's purchase of the Project pursuant to its right of first refusal.

B. **Option To Purchase Limited Partner's Interest**

At the end of the Tax Credit Compliance Period, the General Partner may elect to purchase the Limited Partner's interest in the Limited Partnership for a price equal to the greater of: (i) the appraised value of the Limited Partner's interest, assuming that the Project remains available for continued low-income use for an additional 15 years, plus an amount equal to all outstanding principal and interest on any loans made by the Limited Partner to the Limited Partnership, or (ii) a price equal to the sum of: (a) all outstanding principal and interest on any loans made by the Limited Partner to the Limited Partnership, (b) any state, local or federal income taxes owed by the Limited Partner as a result of the sale, and (c) any unpaid portion of any Credit Adjuster payments due and owing to the Limited Partner. The General Partner will pay the Disposition Fee to NEF in connection with General Partner's purchase of NEF's interest in the Limited Partnership.

15. Limited Partner Transfers

In accordance with the Limited Partnership Agreement, the Limited Partner shall have certain rights to transfer its interest in the Limited Partnership to another NEF-controlled entity. Any rights to transfer to a non-NEF controlled entity, including the right to withdraw from the Limited Partnership at any time after the Limited Partner has satisfied its obligation to pay Capital Contributions and the right to put its interest to the General Partner upon the expiration of the Tax Credit Compliance Period, will be subject to approval by MSHDA, lender, and HUD.

16. Reports

During the term of the Limited Partnership, the General Partner shall cause to be furnished to the Limited Partner and NEF the following reports: (i) quarterly management and financial reports for the Limited Partnership, (ii) state and federal tax returns, (iii) monthly construction status and lease-up reports, (iv) copies of all construction loan draw requests, (v) annual audited financial statements for the Limited Partnership prepared in accordance with generally accepted accounting principles (GAAP), (vi) annual budget, and (vii) other information regarding significant Limited Partnership operations. The General Partner shall be required to submit such reports to the Limited Partner within the time frames established by the Limited Partnership Agreement. The fiscal year of the Limited Partnership shall be the calendar year unless otherwise specified in writing by the Limited Partner.

17. Limited Partner Expenses

NEF will charge the Limited Partnership $55,000 for legal fees and other closing costs inclusive of the NEF tax opinion. At the determination of NEF construction staff, NEF may require a third party construction inspector to provide monthly reports to NEF. This cost will be added to the Project budget.

18. Other Issues

None.

19. Model Form Project Limited Partnership Agreement

The Limited Partnership Agreement will be prepared by NEF's attorneys using NEF's current model form agreement which shall comply with and contain specific language as required under Michigan law. The model form contains a variety of key terms that define the rights and obligations of the parties. This document is updated on a periodic basis in response to comments we receive from investors. The limited Partnership Agreement will be subject to MSHDA approval of the LDHA provisions. The Limited Partner cannot force the Limited Partnership to sell the property through the QCP process.

20. Summary

This Letter summarizes the terms and conditions, which will be further detailed in the Limited Partnership Agreement, under which Assignment Corporation or a NEF-managed investor fund would be willing to invest in the Project. The terms and conditions set forth in this Letter are based on assumptions derived from the materials provided to us. Any changes in these assumptions may change the terms and conditions in this Letter, including the purchase price.

If the terms and conditions as summarized herein are acceptable to you, please sign and return this Letter to the undersigned. This Letter is valid until April 6, 2015, after which NEF reserves the right to terminate or change the terms and conditions of its offer pursuant to this Letter, including the price.

By signing this Letter, and in consideration of the cost and expense incurred or to be incurred by NEF in conducting due diligence documentation and review, the Sponsor/General Partner hereby grants NEF or its affiliate the right to acquire a 99.99% interest in the Limited Partnership and the exclusive right to syndicate the Tax Credits generated by the Project. NEF's exclusive right to syndicate the tax credits shall continue until the earlier of (i) the date that occurs six months from the date of this letter or (ii) the date on which NEF agrees in writing to terminate its exclusive right to syndicate the Tax Credits. Further, by execution of this Letter you hereby authorize NEF to make any credit inquiries that NEF may deem necessary as part of its underwriting. These credit inquiries may be performed on the General Partner, Sponsor/Developer, Guarantors, or any other entities as determined to be necessary by NEF.

NEF's obligation under this Letter is contingent upon its determination that the following conditions have been met:

a) a satisfactory site visit;

b) the accuracy and verifiability of the assumptions data provided;

c) partnership agreement documentation acceptable to NEF and its counsel;

d) appropriate and satisfactory due diligence documentation and review;

e) final Investment Review Committee approval;

f) Limited Partnership Closing by the date shown in Paragraph 5 above and;

g) Acceptance of this proposed Project investment by the investor(s) in a NEF-managed investor fund.

In the event NEF determines, in its sole and reasonable discretion, that any of the foregoing conditions have not been met, NEF may terminate this Letter. Upon termination, this Letter shall be of no further force and effect.

Upon receipt of this Letter executed by you, and receipt of the items that will be requested under separate cover (summarized in Exhibit A), NEF will begin its due diligence on the Project investment.

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We look forward to working with you and your organization on this important affordable housing project in your community.

Sincerely,

NATIONAL EQUITY FUND, INC.

____
Vice President

Accepted:

NORSTAR DEVELOPMENT USA, L.P.

By: Nordev, Inc. its general partner

By: __________________________
Richard L. Higgins
President

DATE: __________________________

By: Ann Arbor Housing Commission

By: __________________________
Jennifer Hall
Executive Director

DATE: __________________________

Exhibit A - NEF Due Diligence Checklist
Exhibit B - Projected Financial Information (Projections)

cc: Mike Jacobs, NEF SVP Acquisitions
SMT

501 Seventh Avenue, 7th Fl., New York, NY 10018 P 212.455.9800 F 212.818.0901 www.nefinc.org

EXHIBIT A

NEF Due Diligence Checklist

This information is required to be sent to NEF in order for it to begin its due diligence of the proposed project investment and prepare for the IRC. A more detailed closing checklist will be provided in connection with the Project's closing.

1	Developer/Sponsor resume including: background and detailed experience and list of all prior projects and their performance
2	Three years of Sponsor/Guarantor audited financial statements (or if an individual, Limited Partnership prepared financials and three years of tax returns)
3	Initial Tax Credit application, initial reservation and carryover documents, as applicable
4	Market Study and Appraisal (if available)
5	Evidence of Zoning
6	Financing Commitments: Construction, Permanent and City or State funds
7	Contractor resume and list of past projects and, if available, Construction Contract or proposed form of Construction Contract
8	Architect resume and experience and, if available, Architect's Agreement
9	Plans and Specifications
10	Preliminary Construction Cost Breakdown; and for Rehabilitation Projects a Scope of Work and Replacement Reserve Study
11	Management Company resume, detailed experience
12	Environmental Reports, Phase I & II as applicable
13	Soils (Geotechnical) Report
14	Tax Abatement information if applicable
15	Rent Subsidy information, as applicable (i.e. Section 8, McKinney)
16	Part I & Part II approvals for Historic Tax Credits, if applicable
17	State Tax Credit Application, Reservation and Allocation, if and as applicable
18	Other, as outlined by the Acquisition Manager

Note: See NEF Website for an outline of NEF insurance requirements (www.nefinc.org (click the "Developers" link and then the Insurance Risk Management" link).

EXHIBIT B

Projected Financial Information (Projections)