



April 7, 2015

Jennifer Hall  
Ann Arbor Housing Commission  
727 Miller Avenue  
Ann Arbor, MI 48103

Re: **Permanent Mortgage Loan Commitment for West Arbor Limited Housing Dividend Association Limited Partnership**

A 46 unit Multifamily Rental Housing Project, known as West Arbor (“Project”)

Located in Ann Arbor, Michigan (“Property”)

Dear Ms. Hall,

This letter will serve as notice that the request by the Borrower for a Permanent Mortgage Loan Commitment for the referenced Project has been reviewed and approved by Capital Fund Services, Inc. (“CFS”). This Loan Commitment will be offered through December 31, 2016 and that date will be the Final Delivery Date unless as extended by mutual written agreement between CFS and the Borrower.

The Mortgage Loan will be made upon the following terms and conditions.

1. Borrower. Borrower shall hold legal title to the Property at Closing and, for the entire term of the Mortgage Loan, and shall have no assets, legal purpose or business other than ownership and operation of the Project. Any change in Borrower's organizational documents, structure or composition, or in the ownership of interests in Borrower, from that previously disclosed to CFS and relied upon by CFS in issuing this Commitment shall need to be reviewed and approved in writing by CFS.

2. Mortgage Loan Amount. The maximum principal amount of the Mortgage Loan will be One Million Eight Hundred Sixty Two Thousand Five Hundred Dollars (\$1,862,500) ("the Loan Amount"). This is subject to a debt service coverage ratio of 1.15 at conversion to the permanent loan and a maximum Loan to Value of 90% of appraised value.
3. Interest Rate. Based on the Application Submission, the Mortgage Loan has been underwritten at the fixed interest rate to Borrower of 5.60% per annum, which rate is not fixed at this time. At closing, CFS shall advise Borrower of the available rate, and if acceptable, Borrower shall sign and return a fully completed Confirmation of Note Rate. CFS shall acknowledge Borrower's acceptance of the Note Rate by delivering a counter-signed copy of the confirmation to Borrower, at which time the Note Rate will be finalized. Note, this is a rate for a forward conversion.
4. Mortgage Loan Term and Payments. The term of the Mortgage Loan shall be a period of thirty (30) years from the first day of the month following the Closing (or from the date of Closing, if it falls on the first day of a month). The mortgage shall be subject to a fifteen (15) year yield maintenance period ("Yield Maintenance Period"). At Closing, CFS will collect prepaid interest through the last day of the month in which the Closing occurs. Thereafter, commencing on the first day of the second month following the Closing, the Mortgage Loan shall be repaid through level payments of principal and interest [calculated on the basis of a 360-day year consisting of twelve (12) thirty (30) day months] on the basis of a thirty (30) year amortization period.

The forward commitment period is 24 months. Loan closing and funding must occur prior to the expiration of the forward period.

The project is required to have 90% occupancy for 90 days based on physical occupancy in order to convert.

5. Complete Agreement; Amendment and Waiver. This Commitment, and the General Conditions and Exhibits attached hereto, contain the complete and entire understanding of the parties hereto of CFS's agreement to provide the Mortgage Loan as described in this Commitment. No changes or amendments to this Commitment shall be valid unless made in writing and similarly executed by the parties hereto.
6. Survival Conflicting Provisions. The terms and conditions of this Commitment shall survive Closing. In the event of any conflict between the terms and conditions of this Commitment and the terms and conditions of the Mortgage Loan Documents, the latter shall control.
7. Restrictions on Assignment by Borrower. The Commitment may not be assigned by Borrower without CFS's prior written consent, which CFS may withhold in its

sole discretion; provided that following Borrower's default under the construction loan for the Project, a "Substitute Borrower" may assume the rights and obligations of Borrower under this Commitment, but such Substitute Borrower must have acceptable net worth and experience, as determined by CFS's sole discretion.

8. Borrower's Compliance; Events of Default. Time is of the essence with respect to all provisions of this Commitment. Borrower agrees that, following acceptance of this Commitment, it will proceed diligently to satisfy all of its obligations hereunder for timely closing of the Mortgage Loan in accordance with the terms hereof.

Should any one of the following Events of Default occur prior to Closing, CFS may cancel this Commitment and have no further obligations to Borrower or any other party hereunder:

- (a) Material failure of the Borrower to comply with any of the terms and conditions of this Commitment;
  - (b) Failure of the Borrower to satisfy the General Conditions or Loan Specific Conditions;
  - (c) Destruction or damage to the Project deemed substantial by CFS;
  - (d) A material and adverse change in the Borrower's financial or the Project's operating condition, as deemed by CFS in its sole discretion; and
  - (e) Discovery of any material misrepresentation in Borrower's application, submissions, or representations;
9. The Mortgage Loan will be subordinate in priority to the LIHTC Regulatory Agreement.
  10. Termination of Commitment. If CFS terminates this Commitment pursuant to any of its provisions, CFS shall be relieved of any obligation to make the Mortgage Loan and of any further liability or obligation to Borrower under the Commitment or otherwise, and except as otherwise specifically provided in this Commitment, CFS shall be entitled to retain all fees and charges collected from Borrower.
  11. Brokerage Indemnity. Borrower agrees to indemnify and hold CFS, its officers, agents and employees, harmless, from and against all claims, demands and liability for brokerage commissions, finder's fees or the like, arising from the issuance of this Commitment or from CFS's making of the Mortgage Loan, and asserted by a broker or finder claiming to have represented Borrower in connection with this loan.
  12. Applicable Law. The rights and obligations of the parties with respect to this Commitment shall be determined in accordance with the laws of the State of Michigan.

13. Counterparts. This Commitment may be executed in any number of counterparts, each of which together shall constitute one and the same instrument.
14. Charges and Fees to be Paid by Borrower. Upon completion of the due diligence process and approval of the loan by the Board of Directors of CFS, the Borrower will be required to pay the following fees.
  - a. Application Fee. This has been waived.
  - b. Origination Fee. At acceptance of the loan commitment, the Borrower shall pay CFS a commitment fee in the amount of 1.50%, or Twenty Seven Thousand Nine Hundred Thirty Seven (\$27,937) dollars of the Loan Amount ("Commitment Fee"), which shall be deemed earned by CFS and non-refundable upon receipt.
  - c. CFS's Counsel Fees. At acceptance of the loan commitment, the Borrower shall pay CFS \$6,250 to be applied to CFS's Counsel's fees and expenses. CFS has agreed to cap the total legal fees and expenses of its counsel at \$12,500 based on the assumptions that (i) Borrower will not attempt to negotiate substantial changes to the mortgage loan documents (ii) Borrower has reasonably described the material elements of the transaction aside from the CFS loan, including significant atypical problems requiring legal attention in order to close. If these assumptions prove to be incorrect, CFS reserves the right to raise legal fees as circumstances warrant.
  - d. Underwriting Fees. The undersigned also agrees to pay CFS \$13,000 for out-of-pocket, third-party costs, and underwriting fee's incurred by CFS in originating the mortgage loan. The major due diligence costs that will be incurred are travel, appraisal, environmental assessment (Phase I), and a physical needs assessment. The undersigned remits the sum of \$13,000 as an advance for the third party cost expenses. The undersigned acknowledges that such deposit is non-refundable to the extent funds are spent by CFS in obtaining such reports, regardless of whether CFS issues a commitment acceptable to Borrower. *Costs of environmental reports beyond a Phase I will be the responsibility of the Borrower and will be billed separately. Please note: A new appraisal will not be required at conversion. Additionally, CFS is willing to share third party reports with the equity provider or construction lender wherever possible to save total underwriting costs for the deal.*
  - e. Forward Commitment Deposit. At acceptance of the loan commitment, the Borrower shall deposit with CFS two percent (2.0%) of the Loan Amount ("Forward Commitment Deposit"), or Thirty Seven Thousand Two Hundred Fifty dollars (\$37,250), with CFS and execute a Delivery Assurance Certificate to secure the performance of Borrower's obligations under this Commitment. The Forward Commitment Deposit shall be in the form of cash. At the conversion of the commitment to a permanent mortgage loan, the Forward Commitment Deposit shall be refunded back to the Borrower.

15. Capital Fund Services understands that the project will have secondary financing from other sources, to which CFS hereby allows and consents.
16. Capital Fund Services understands and accepts that its financing will be subordinate to the RAD Use Agreement.

Sincerely,



Christopher C. Cox  
Chief Financial Officer  
Great Lakes Capital Fund

Accepted:

By: \_\_\_\_\_  
Jennifer Hall  
Ann Arbor Housing Commission

Date: \_\_\_\_\_