November 4, 2014

Bruce Connus
President and CEO
Liberty Housing Development Corporation
714 Market Street
Philadelphia, PA

RE: ***Liberty52*** (the "Project")
616-636 N. 52nd Street, Philadelphia, PA

Dear Mr. Connus:

The National Equity Fund, Inc. ("NEF") is pleased to propose the terms and conditions, as set forth in this letter of interest, pursuant to which NEF, through its affiliate, NEF Assignment Corporation ("NEFAC"), will provide equity capital for the above described property. This letter is based on certain assumptions and information, including estimates of Project costs, timing assumptions and debt financing, provided by the Sponsor. Any changes in these assumptions, this information, the LIHTC market, or a loss of investor appetite prior to an actual credit award, may result in changes to the terms, conditions, and/or purchase price, outlined in this letter

1. <u>Project Information</u>

The Liberty52 project will involve the new construction of 24 affordable rental units for disabled and elderly (55+) individuals on a vacant site in West Philadelphia.

NEF has analyzed the Project's development budget and has based this offer on the assumption of a total development cost of approximately $8.3 million and an allocation of 2015 low income housing tax credits from the Pennsylvania Housing Finance Agency ("PHFA"). Financing will include low-income housing tax credits, funds from the City of Philadelphia, Liberty Housing Development Corporation contributed funds (reinvested developer fee), and nominal GP Capital. The Project will consist of 24 one-bedroom units. Tenant paid monthly rents will range between $217 and $475 and will be at affordability levels ranging from 20% AMI to 60% AMI. Sixteen of the units will be subsidized by an ACC contract from the Philadelphia Housing Authority (PHA) and eight will be subsidized by project-based Section 8 vouchers from PHA.

NEF Assignment Corporation ("NEFAC") will act as nominee limited partner on behalf of one or more investor limited partnerships of which NEF is the general partner. NEF will have the right to assign the beneficial portion of its limited partner interest to one or more investor limited partnerships of its choosing.

2. Development Team

Developer:	Liberty Housing Development Corporation
Property Manager:	Community Realty Management
Consultant:	Sherick Project Management, Inc.

3. Timing Assumptions

This letter is based on the following timing assumptions:

Construction Start:	June 1, 2016
Partnership Investment Closing:	June 1, 2016
Placement in Service Date:	February 1, 2017
100% Qualified Occupancy:	April 1, 2017

If the timing assumptions set forth above are not met, the terms and conditions of this Letter of Interest, including the purchase price, will be subject to change.

4. Project Financing

In addition to equity financed through the syndication of low-income housing tax credits, the Project's financing will be from the following sources in the following amounts.

Source:	City of Philadelphia
Amount:	$644,827
Interest Rate:	0.00%
Term:	30 years

Source:	Liberty Housing Development Corporation – deferred developer fee
Amount:	$573,179
Interest Rate:	4.00%
Term:	30 years

5. Tax Credits

The Sponsor is applying to the PHFA for $706,680 of annual 9% low income housing tax credits. The requested credit amount is based on the Project having an adjusted eligible basis of $9,795,627, using a construction/rehab tax credit rate of 7.55% and a 130% basis boost. The total Tax Credits anticipated to be claimed by the

Partnership are $7,066,093 of LIHTCs (the "Projected Tax Credits"). The Projected Tax Credits are expected to be available to the Partnership beginning in 2017.

6. Capital Contributions

NEFAC will purchase the above credits for a total purchase price (the "NEFAC Capital Contribution") of $7,066,093 or $1.00 for each $1.00 of LIHTCs. NEFAC shall make its capital contributions to the Partnership as described below:

NEFAC Equity Amounts

Condition	Project Equity %	Project Costs	Developer Fee	Reserves	Total Equity
Closing	10.9%	530,681	240,000		770,681
Construction Completion	7.5%	530,681			530,681
Conversion/Perm. Loan	74.9%	4,245,451	840,000	210,279	5,295,730
Tax Return	6.6%		120,000	349,000	469,000
Total	**100%**	**$5,306,814**	**$1,200,000**	**$559,279**	**$7,066,093**

Developer Fee Equity. The Project Sponsor, or whoever else is designated in the Development Agreement to receive such payment, shall be paid a development fee (the "Developer Fee") in the amount of $1,200,000. The Developer Fee shall be payable at the times and upon the conditions set forth in the Development Agreement. The Developer Fee will be paid to the Partnership out of the NEFAC Capital Contribution (the "Developer Fee Equity"), which will in turn pay the Developer Fee Equity to the Project Sponsor pursuant to the Development Fee Agreement, on the above schedule.

Deferred Developer Fee. Any portion of the Developer Fee that is not paid out of Developer Fee Equity or other financing sources shall be paid as a deferred developer fee (the "Deferred Developer Fee") from Project cash flow or the proceeds of refinancing or sale of the Project.

7. Adjustment to Purchase Price (Credit Adjusters)

Permanent Reduction in LIHTCs. The NEFAC Capital Contribution to the Partnership shall be decreased if: (i) the receipt of the Project Cost Certification, or (ii) the receipt of the Form 8609 for the Project, the maximum Actual Tax Credits are less than the Projected Tax Credits. In such an event, the NEFAC Capital Contribution shall be reduced by $1.00 times the amount by which the Actual Tax Credits are less than the Projected Tax Credits.

Material Timing Difference – Tax Credits. In the event that LIHTCs are not available to NEFAC during the Projected First Tax Credit Year in the amount projected (the "First Year Projected Tax Credits")**,** the NEFAC Capital Contribution shall be reduced by an amount equal to (i) $.60 times the amount by which the actual Tax Credits received by NEFAC during the Projected First Tax Credit Year is less than the First Year Projected Tax Credits; minus (ii) the net present value of the additional Tax Credits to be received by NEFAC in the 11th year of the Tax Credit Compliance Period, based upon a 10% discount rate.

Ongoing Credit Shortfall. If at any point in time after the end of the Projected First Tax Credit Year but before the end of the Tax Credit Compliance Period, the actual Tax Credits received by NEFAC are less than the Projected Tax Credits, or if there is recapture (as defined in Section 42 of the Code) of Tax Credit, then any remaining portion of the NEFAC Capital Contribution shall be reduced by one dollar for each dollar of reduction of the Projected Tax Credits or each dollar of Tax Credits that are recaptured (the "Credit Reduction Payment"), up to a maximum total amount equal to the total Developer Fee.

In the event the remaining unpaid portion of the Limited Partner's Capital Contribution obligation is insufficient for the Limited Partner to offset all amounts that are due and owing from the General Partner to the Limited Partners pursuant to the Credit Adjusters, or the Limited Partner elects not to offset the Credit Adjusters against the remaining Limited Partner Capital Contribution Installments, then the General Partner shall, upon demand, pay the Limited Partner any remaining amount that is due and owing to the Limited Partner.

8. Reserves

Operating Reserve. The General Partner shall establish an Operating Reserve which shall be funded from NEFAC's third installment of equity in the amount of $178,043 and thereafter the General Partner will be required to maintain this Operating Reserve balance from Project cash flow.

Replacement Reserve. An annual amount of $500 per unit per year from Project revenues throughout the Tax Credit Compliance Period. NEF's prior written consent will be required for any withdrawals greater than $5,000.

Transformation / ACC Reserve. $144,000, funded from the third installment of NEF's Capital Contributions. The Transformation / ACC Reserve is to be used only to fund Operating Deficits projected to occur due to loss of ACC subsidies.

Upon further underwriting, NEF may determine a different amount is needed for the Transformation / ACC Reserve to fund Operating Deficits projected to occur if the rental subsidy for the Project is either not renewed past its initial term or reduced. The Transformation / ACC Reserve Account will be held pursuant to a Funding and Disbursement Agreement entered into between the Limited Partnership, the General Partner and NEF.

Tax and Insurance Escrow Account. $32,236, funded from the third installment of NEF's Capital Contributions, to be used to fund first year tax and insurance expenses.

Supportive Services Escrow. $205,000, funded from the third installment of NEF's Capital Contributions will be used to pay for social services provided residents at the development during the tax credit compliance period.

9. General Partner Guaranties

Development Completion Guaranty. The General Partner and Guarantors will provide the Partnership with a Development Completion Guaranty. This guaranty obligation will become effective at the time of execution of the Partnership Agreement and will continue until the later of (i) 1 year after completion of construction, to cover the General Partner's latent defects obligation, or (ii) achievement of Breakeven Operations, to cover the General Partner's obligation to fund Project operating deficits. Payments made under the guaranty will be considered General Partner loans to the Partnership at 0% interest, repayable from cash flow.

Operating Deficit Guaranty. The General Partner and Guarantors will provide an Operating Deficit Guaranty in an amount equivalent to six months of operating expenses and reserves, which guaranty will commence upon achievement of Breakeven Operations and remain in place until the later of (i) five years from achievement of Breakeven Operations, or (ii) until the Project has maintained a 1.10 expense coverage ratio measured on an annual basis, for a period of two consecutive years commencing on or after the second anniversary of achievement of Stabilized Occupancy. This guaranty obligation will be used to fund or pay operating deficits incurred by the Partnership and current liabilities of the Partnership upon the depletion of the funds in the Partnership Operating Reserve. Amounts expended to satisfy this obligation shall be treated as non-interest bearing loans to the Partnership and shall be repaid out of distributable cash flow.

Repurchase. The General Partner shall repurchase the interest of the Limited Partner for an amount equal to the amount of NEFAC's Capital Contribution that has been funded and all of the expenses incurred by NEF and NEFAC in conjunction with the transaction, if the Limited Partner so elects, upon the occurrence of certain major adverse events which will be described in detail in the Partnership Agreement, such as an event which threatens to deprive the Partnership or the Limited Partner of a substantial amount of the Projected Tax Credits or an action is commenced to foreclose, abandon, or permanently enjoin construction or rehabilitation of the Project.

The Guarantor will be required to execute a separate Guaranty Agreement whereby they will guaranty all of the above guaranty obligations of the General Partner and all of the General Partner's other obligations under the Limited Partnership Agreement.

10. Property Management

Appointment of the Management Agent must be approved by NEF. The Management Agent may be replaced from time to time by the General Partner provided that NEF approves the proposed replacement Management Agent in writing. The Management Agent shall initially earn a Property Management Fee no greater than 7.00% of the Project's gross collected rents. If the Management Agent is related to a General Partner, the payment of the Property Management Fee will be subordinated to the payment of operating deficits, if necessary, to maintain Breakeven Operations.

11. Asset Management Fee

The Partnership will pay from net cash flow to NEF or its designated affiliate an annual Asset Management Fee in the amount of $2,400, to be increased annually by 3%.

12. Incentive Management Fee

The General Partner shall receive a non-cumulative Incentive Management Fee equal to ninety percent (90%) of remaining cash flow.

13. Right of First Refusal

It is the express objective of NEF to identify and implement strategies to maintain projects permanently as low and moderate-income housing. As a qualified 501(c)(3) corporation, if the Project Sponsor 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, it will be granted a right of first refusal to purchase the Property at the end of the Tax Credit Compliance Period, for a price equal to the sum of: a) all outstanding Partnership debt, including General Partner and Limited Partner loans; b) any state, local or federal taxes owed by NEFAC as a result of the sale; and c) any unpaid portion of any Credit Adjuster payments due and owing to the Limited Partner.

14. Limited Partner Costs and Expenses

NEF will charge the Company $55,000 for legal fees and other closing costs inclusive of the NEF tax opinion.

15. Issues to be Resolved Prior to Investment Committee Review

A. Acceptance of the Project by NEF's investor
B. Review of all tax credit documentation
C. Review of a Market Study and appraisal
D. Review of all financing commitments for the Project
E. Review of contractor and architect resume and experience
F. Review of the plans and specifications and construction cost breakdown
G. Review of property manager resume and experience
H. Review of Phase I Environmental Report
I. Review of Project operating expenses

16. Summary

This letter is based on assumptions and information, including estimates of Project costs, timing assumptions and debt financing, provided by the Sponsor. Any changes in these assumptions may result in changes to the terms and conditions, including purchase price, outlined in this letter.

We are delighted that you have chosen to work with NEF. If the terms and conditions of this letter are acceptable to you, please sign and return this letter to NEF. Should the Project receive an award of LIHTC from PHFA, both parties agree to make a good faith effort to close on the terms described herein. Please note that if this Project does not close within the time frame specified in this letter, NEF reserves the right to re-negotiate the terms and price of this offer. Upon receipt of this signed letter, an award of LIHTC, and receipt of all due diligence materials needed, NEF will take the Project to our Investment Review Committee for review and approval.

We wish you success in your application for Low Income Housing Tax Credits and look forward to working with you to provide needed affordable housing in your community.

Very truly yours,

NATIONAL EQUITY FUND, INC.

By: ______________________
Tony Lyons
Vice President and Regional Manager

The foregoing is hereby agreed to and confirmed.

Liberty Housing Development Corporation

By: ______________________________
Bruce Connus
President and CEO