



11/13/14

Mr. Kevin Gray
Real Estate Development Director
New Kensington CDC
2515 Frankford Avenue
Philadelphia, PA 19125

Dear Mr. Gray:

This letter outlines the basic terms and conditions under which Enterprise Community Investment, Inc. ("Enterprise") as representative for one or more equity funds (the "Fund") would make an equity investment in Orinoka Civic House (the "Project") located in Philadelphia, PA.

A. The Project

- The Project consists of the acquisition and rehabilitation of 51 apartments in 1 building.
- Construction is expected to begin by February 1, 2016 and is expected to be substantially complete by February 1, 2017.
- The Project will have an annual Federal Low-income Housing Tax Credit (the "Federal LIH Credit") of \$1,298,000.
- The applicable fraction of the Project qualifying for the Federal LIH Credit as provided for in Section 42 of the Internal Revenue Code of 1986, as amended (the "Code") is 100%. 12 units in the Project will be subsidized by ACC or other operating subsidy.
- 12 units will be occupied by public housing eligible households and subject to public housing regulations, pursuant to a Regulatory and Operating Agreement between the Partnership and the Philadelphia Housing Authority, and other documents relative to the operation of the public housing units in the project.

B. Project Ownership, Fees, Cash Flow and Capital Proceeds Allocations

The Project will be sponsored by New Kensington CDC (the "Sponsor"). The Project will be owned by Orinoka Civic House L.P, (the "Partnership"). The Partnership will have as its general partner Ruth & Somerset Development Corporation, a state non-profit, federally-taxable subsidiary of the Sponsor (the "General Partner"), which will be a single purpose entity with a 0.01% partnership interest. The Fund will be the limited partner (the "Limited Partner") with a 99.99% partnership interest. Alternative ownership structures are possible, but may require adjustments of cash-flow fees and the allocations of the economic benefits for each partner as compared to the following proposal:

- Credits and operating profits and losses will generally be allocated 99.99% to the Limited Partner and 0.01% to the General Partner.

- Development Fee – Of the total developer's fee in the amount of \$1,500,000, \$1,347,069 is projected to be paid out of equity as detailed in Section C below and \$152,931 is projected to be deferred and paid from cash flow at the interest rate showing in the projections. The General Partner will be obligated to pay any deferred fee by the end of the initial compliance period.
- Investor Services Fee - The Partnership will pay the Limited Partner an investor services fee of \$5,000 inflating 3% per year paid in accordance with Section E. Unpaid investor services fee to accrue without interest and be paid as a priority from subsequent cash flow and sale or refinancing proceeds.
- Cash Flow Split - 90% to the General Partner where the cash flow to the General Partner is accompanied by a special allocation of an equal amount of income (equivalent to a deductible fee from the partnership's perspective) and 10% to the Limited Partner paid in accordance with Section E.
- Refinance or Sale Proceeds Split - 90% to the General Partner and 10% to the Limited Partner paid in accordance with Section E

C. Pricing of Credits and Schedule of Capital Contributions

The Limited Partner proposes making an investment of \$13,238,276 based upon \$1.02 (“Federal LIHTC Price”) per dollar of Federal LIH Credit. We have assumed that the Limited Partner will be admitted to the Partnership on February 1, 2016. If prior to closing there are material changes in the underwriting or timing assumptions or if there is a material change in Enterprise's cost or availability of capital, the Limited Partner may reprice the credits.

Subject to the satisfaction of the conditions and repricing provisions contained in this letter, the Limited Partner will make capital contributions based on the pricing set forth above. Such capital contributions will be payable upon meeting the conditions outlined below. Additional conditions may be imposed during the underwriting of the Project and will be reflected in the final Amended and Restated Partnership Agreement (the “Partnership Agreement”). All installments will be contingent upon meeting the conditions of any prior installments, receipt of reporting items (see Section I below), and certain representations and warranties to insure the Project's viability.

First Installment: Admission Date

Second Installment:

During construction and within 10 days after receipt by Enterprise of an acceptable draw request including a draw schedule showing balanced sources and uses and AIA forms G702 and G703, Enterprise will fund in amounts pursuant to a draw schedule acceptable to the Limited Partner:

However, no payment will be made prior to:

- a) receipt of all closed loan documents; and
- b) receipt and approval of the carryover allocation agreement and receipt of the 10% documentation together with the accountant's certification, as applicable.

Third Installment: On the latest to occur of:

- a) March 1, 2017;
- b) receipt of temporary certificates of occupancy for 100% of the units. For renovation projects, final building department signoff on permits or recorded notice of completion or other such confirmation that the local government approves of the completed work may be acceptable in lieu of certificates of occupancy;
- c) the date on which the Partnership has completed the construction and/or rehabilitation of the buildings, with approval by the Limited Partner and its construction consultant and with the architect's certification that construction and/or rehabilitation of the buildings has been completed in accordance with the relevant project documents excepting punch list items that do not impede occupancy on a full rent paying basis provided the Partnership has escrowed funds to complete those punch list items;
- d) receipt and approval of an updated title report evidencing there are no recorded mechanics liens that have not been released or bonded against;
- e) receipt and approval of satisfactory radon testing for each building and evidence of mitigation if required;
- f) receipt and approval by the Limited Partner of a lead free inspection certificate (for buildings built before 1978) or acceptable Operations and Maintenance Plan;
- g) receipt and approval by Enterprise of a draft as-built ALTA survey for projects involving new construction or changes to the footprint of a building due to renovation;
- h) receipt by Enterprise of evidence of the General Partner's Section 168(h)(6)(F) election, if applicable;
- i) receipt and approval of the accountant draft cost certification documenting the Project's eligible basis, balanced sources and uses, calculation of annual Credit, and evidence of the 50% test (for bond deals);
- j) intentionally omitted;
- k) receipt and approval of an updated source and use schedule for the Project confirming sufficient funds will be available to achieve Loan Conversion, where Loan Conversion is the disbursement in full of all construction loans, the receipt of all consents from lenders or other parties that construction completion has occurred, conversion of all Loans to permanent status, the repayment of all construction loans and the closing and funding of all permanent Loans in accordance with the terms shown on the Projections, and receipt and approval of all executed loan documents;
- l) receipt of evidence that all required reserve accounts have been established, to be funded by the Limited Partner capital contributions per the schedule below;
- m) receipt and approval of evidence of required insurance;
- n) receipt of executed PILOT agreement or evidence that application for special property tax classification or abatement or exemption has been properly filed, if applicable; and
- o) receipt and approval of any operating or rental subsidy agreements.

Fourth Installment: On the latest to occur of:

- a) November 1, 2017;
- b) receipt of permanent certificates of occupancy for 100% of the units;

- c) final lien release;
- d) receipt and approval by Enterprise of a final as-built ALTA survey for projects involving new construction or changes to the footprint of a building due to renovation;
- e) receipt of a copy of the recorded extended use agreement. When the state process precludes recording the Extended Use Agreement prior to the end of the first credit year, Enterprise may defer this requirement;
- f) intentionally omitted;
- g) achievement of 100% tax credit qualified occupancy as defined by the Code including receipt and approval of initial tenant documentation;
- h) receipt and approval of the credit projection;
- i) Enterprise 's receipt of executed PILOT agreement or approval of special property tax classification or abatement or exemption, if applicable;
- j) achievement of the Stabilization Date, which is the date subsequent to construction completion that is the later of (1) the achievement of qualified occupancy, (2) the ACC operating and rental subsidy agreement is in full force and effect, or (3) the date the Project has achieved the Required Expense Coverage ratio for a period of three (3) consecutive calendar months evidenced as a single time period, with revenues calculated on a cash basis and project expenses on an accrual basis. Throughout this period the underwritten physical occupancy of the residential units is achieved and projected residential and commercial gross potential rental income less the projected economic vacancy is collected. Project expenses (which will include required reserve funding) will be the greater of a) actual expenses and b) the lesser of (i) the expenses shown on the projections and (ii) the current approved budget. Rental and operating subsidy payments receivable may be included in rental income (up to the projected subsidy income) provided such amounts are not more than sixty (60) days in arrears. The Required Expense Coverage ratio is the greater of 1.05 or the stabilized year expense coverage ratio in the closing projections;
- k) Loan Conversion, which may be simultaneous with equity funding per this installment; and
- l) receipt and approval of the accountant final cost certification documenting the Project's eligible basis, balanced sources and uses, calculation of annual Credit, and evidence of the 50% test (for bond deals).

Fifth Installment: On the latest to occur of:

- a) November 1, 2017; and
- b) receipt and approval of IRS Form(s) 8609

Sixth Installment: On the latest to occur of:

- a) April 1, 2018; and
- b) Receipt and approval of the tax return for the first LIH Credit year.

These installments will be used as follows:

| Payment | Project Milestone | Amount | Percent | Project Costs | Developer Fee and Overhead | Operating Reserve | Transformation Reserve | Supportive Services Escrow |
|--------------|------------------------|---------------------|---------|---------------------|----------------------------|-------------------|------------------------|----------------------------|
| | | | | | | | Other Reserve | Other Reserve |
| | | | | 11,326,986 | 1,347,069 | 258,524 | 50,697 | 255,000 |
| 1 | Admission | 1,436,467 | 10.85% | 1,136,467 | 300,000 | | | |
| 2 | During Construction | 1,211,188 | 9.15% | 1,211,188 | | | | |
| 3 | Completion/Draft CC | 3,309,569 | 25.00% | 3,233,474 | 76,095 | | | |
| 4 | Final CC/Stabilization | 6,385,078 | 48.23% | 5,745,857 | 75,000 | 258,524 | 50,697 | 255,000 |
| 5 | 8609 | 828,621 | 6.26% | 0 | 828,621 | | | |
| 6 | First Yr Tax Return | 67,353 | 0.51% | - | 67,353 | | | |
| TOTAL | | \$13,238,276 | | \$11,326,986 | \$1,347,069 | \$258,524 | \$50,697 | \$255,000 |

D. Adjusters

The Limited Partner's capital contributions are subject to adjustment. The maximum aggregate upward adjuster pursuant to Sections 1 and 2 below is 5% of the projected aggregate capital contribution as of the closing of the investment. If the unpaid capital contributions are less than any downward adjustment, the General Partner will make a cash contribution or loan (subject to conditions stated in Section G) in the amount of the deficiency which proceeds will be distributed to the Fund. The specific adjustments follow:

1. Aggregate Credit Adjuster:

At cost certification and issuance of 8609(s) the aggregate capital contribution will be reduced by:

- a) The Federal LIHTC Price for every dollar reduction in the amount of Federal LIH Credits available to the Partnership compared to the projected amount of Federal LIH Credits.

In the event that the cost certification and 8609(s) and/or tax returns provide additional credits, the aggregate capital contributions will be increased by:

- a) The Federal LIHTC Price for every dollar increase in the amount of Federal LIH Credits available to the Partnership compared to the projected amount of Federal LIH Credits.

Any upward adjuster associated with additional credits will be payable as part of the installment for which 8609(s) are due, and will be applied first to the reimbursement of any development advances, then to reduce deferred development fee or partner loans subject to the limitations of other lender's terms and conditions, with any remaining balance distributable as Refinance or Sale Proceeds in accordance with section E below.

2. Timing Adjuster:

If the Project delivers less than \$928,961 Federal LIH Credits for calendar year 2017, the Limited Partner's capital contributions will be reduced by \$.43 per dollar of credit less than such amount. If the project delivers Federal LIH Credits in excess of the projected amount stated in the prior sentence, the total capital contribution will be increased by \$.43 per dollar of credit more than such amount. If the increase in first year Federal LIH

Credits results in any loss of Federal LIH Credits due to the 2/3 rule, the increase will be reduced to take into account the permanent loss of Federal LIH Credits and present value of the rescheduled credit delivery.

Additional equity paid under this clause will be payable as part of the installment for which the 1st credit year tax return is due, and will be applied first to the reimbursement of any development advances, then to reduce deferred development fee or partner loans subject to the limitations of other lender's terms and conditions, with any remaining balance distributable as Refinance or Sale Proceeds in accordance with section E below.

3. Recapture Adjuster

If (i) the actual Federal Credits allocated to the Limited Partner on the Federal tax return are less than projected (as adjusted per D.1 and D.2 above) during the fifteen year compliance period but after the Lease-up Period, or (ii) there is recapture of Federal Credits, then the Limited Partner's aggregate capital contribution will be reduced by \$1.00 for every dollar reduction in the amount of Federal Credits plus any interest and penalties imposed by the IRS.

If it is determined that an adjuster will be applicable in subsequent years, the full adjuster for the future years will be made at the time of the initial determination. If the unpaid capital contributions are less than this recapture adjustment, the General Partner will make a cash contribution of the lesser of the developer fee or the amount of the deficiency. This contribution will be distributed to the Fund. If the adjuster is greater than the developer fee, the difference will be distributed to the Fund as a priority from cash flow and capital proceeds upon sale of the Project.

4. Depreciation Adjuster

Failure to make the appropriate depreciation elections, including elections under 168(h), will result in a reduction in capital contributions to reflect the reduction in tax benefits. If unpaid capital contributions are insufficient to cover such adjustment, the General Partner will be required to make a cash contribution up to the amount of any deficiency.

E. Application of Cash Flow and Refinance or Sale Proceeds

Application of Cash Flow

Cash remaining after covering operating expenses, reserve deposits, and required debt service will be applied according to the following priorities:

- a. to the Limited Partner for unpaid credit adjusters;
- b. to the Limited Partner for taxes owed on income allocated to the Limited Partner;
- c. to the Limited Partner for Investor Services Fee;
- d. to replenish the operating reserve to required level;
- e. to the property manager for the cash flow portion of property management fee, if applicable;
- f. to the developer for deferred development fee;
- g. to the General Partner to reimburse operating deficit contributions

- h. intentionally omitted;
- i. Cash-flow contingent loan payments as required by lenders:
- j. 90% to the General Partner accompanied by a special allocation of income of such amount and 10% to the Limited Partner.

Refinance or Sale Proceeds

The proceeds of a refinance or sale, net of paying off outstanding debt, will be distributed according to the following priorities:

- a. to the Limited Partner for unpaid credit adjusters;
- b. to the Limited Partner for taxes owed resulting from the sale or refinancing;
- c. to the Limited Partner for Investor Services Fees;
- d. to the developer for deferred development fee;
- e. to the General Partner to reimburse operating deficit contributions and credit adjuster advances;
- f. intentionally omitted;
- g. Distributions according to Refinance or Sale Proceeds Split: 90% to the General Partner and 10% to the Limited Partner.

F. Disposition of Property

It is the objective of the Limited Partner that the project be maintained permanently as low income housing. If the General Partner agrees to maintain the Project as low-income housing as defined in the Code for at least an additional 15 year period after the initial 15-year compliance period, then the General Partner will have the following options at the end of the compliance period:

1. **Purchase of the Limited Partner's Interest**

The General Partner will have the option to purchase the Limited Partner's interest in the 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 low-income use, or (ii) the total amount of any taxes payable by the Limited Partner as the result of the sale.

2. **Right of First Refusal**

The Sponsor, or another 501(c) (3) corporation approved by Enterprise, will have a right of first refusal which will allow the non-profit to purchase the Project for a price equal to the sum of: i) any taxes payable by the Limited Partner that result from the sale, and ii) any outstanding debt.

The Limited Partner will have an absolute right to withdraw from the Partnership at any time after the end of the credit period as defined in the Code.

G. General Partner Obligations

All obligations of the General Partner, including but not limited to the following guarantees, will

be guaranteed by New Kensington CDC (the “Guarantor”). The General Partner and Guarantor must demonstrate to Enterprise, in its sole and absolute discretion, its ability to provide meaningful guarantees.

1. Guarantees

A) to achieve lien-free construction completion, cover all cost overruns during construction, payment of all development costs (including any demolition, relocation, environmental remediation and infrastructure construction necessary for the completion of the Project), and conversion of permanent financing at the amounts and terms shown in the projections. Advances under this guarantee will be unreimbursable.

B) to advance funds needed to cover all operating deficits until the later of the Stabilization Date or Loan Conversion.

C) to advance funds needed to cover all operating deficits up to a maximum of 6 months of operating expenses, reserve contributions, and debt service and currently estimated to be \$172,000 for five consecutive audited years following the later of Loan Conversion or the initial achievement of the Stabilization Date, provided, however, that (i) the Partnership Operating Reserve is funded as per the closing Projections; (ii) the ACC rental and operating subsidy agreement is in full force and effect and, (ii) to the extent the project has not achieved Required Expense Coverage for each of the last two years of such five year period, then the obligation will be extended until the two year test has been met.

D) to make cash contributions related to adjusters as described in Section D above.

E) to repurchase the Limited Partner’s interest in the Partnership for 100% of capital contributions made to date plus interest at the Prime Rate plus 2% if the Partnership:

- 1) fails to receive a valid carryover allocation or fails to spend the required 10% for 9% credit deals or the Partnership does not qualify for Federal LIH Credits on the entire eligible basis of the project because less than 50% of the aggregate basis of the project was financed with tax exempt bonds as required in Code Section 42 (h)(4) for 4% credit deals;
- 2) fails to place the construction or rehabilitation expenses in service by the end of the second year following receipt of a valid carryover allocation, if applicable;
- 3) fails to receive 8609s by September 1 of the year after the first year of the credit period;
- 4) fails to reach the minimum set-aside test for the Project prior to the Code required deadline;
- 5) fails to achieve Loan Conversion;
- 6) at any time before the Project has operated at break-even for 3 consecutive months, an action is successfully executed to foreclose, abandon, or permanently enjoin the construction of the Project;
- 7) the Project has not operated at break-even for 3 consecutive months within 18 months of the Completion Date;
- 8) the Credit reflected on IRS Forms 8609 is less than 70% of the Annual Credit Allocation; or
- 9) if an Historic Credit deal the Project has not received Part 3 approvals for the Historic Investment Tax Credit from the National Park Service with respect to all

of the buildings comprising the Partnership Property by the deadline for receipt of the tax return for the tax year in which the project is placed in service.

F) The General Partner shall indemnify the Partnership and the Limited Partner for any income tax liability realized (assuming a federal income tax rate of thirty-five percent (35%)) by the Partnership or the Limited Partner in any taxable year attributable to any grant and/or deemed sale of the State Credits. The foregoing indemnification shall be a recourse obligation of the General Partner, and shall survive the dissolution of the Partnership and/or the insolvency, bankruptcy, removal, or withdrawal of the General Partner. The indemnification authorized by this shall include, but not be limited to, the costs and expenses (including reasonable attorneys' fees) of the removal of any liens affecting any property of the indemnitee as a result of such legal action.

2. Reserve Requirements

A) The General Partner will establish a partnership operating reserve (the "Partnership Operating Reserve") in an amount acceptable to the limited partner, which is currently estimated to be \$258,524. The Partnership Operating Reserve will be funded by the Limited Partner's capital contributions as detailed in Section C above. The Partnership Operating Reserve will be held in an account requiring the joint signatures of the General Partner and the Limited Partner. The Partnership Operating Reserve will be available to fund operating deficits after the Project has achieved the Stabilization Date and Loan Conversion. Thereafter, the General Partner will be permitted to use the Partnership Operating Reserve prior to making Operating Deficit Contributions to the extent the Partnership Operating Reserve has been funded as of the date of the deficit.

Upon termination and winding up of the Partnership, subject to the provisions of the Limited Partnership Agreement, the balance in the Operating Reserve shall be used to (a) pay any tax (including exit and transfer taxes imposed) on the Partnership, Limited Partner and its partners as a result of the sale of the Partnership Property and winding up of the Partnership or (b) for other uses approved by the Limited Partner. Paying off Sponsor Notes is an eligible use of these funds.

B) The General Partner will establish a Lease-Up Reserve in the amount needed to cover the projected deficits prior to the Stabilization Date. The reserve will be available to fund operating deficits during the lease-up period. In lieu of cash-funding this reserve, borrowing authority under one or more construction period loans may be used as a source. Subject to Fund tax analysis and any loan requirements, funds remaining in the lease-up reserve after the initial lease-up period may be used to reduce outstanding loans, deferred developer fee or partner loans, else will be deposited into the Operating Reserve.

C) The General Partner will establish a replacement reserve account (the "Replacement Reserve") for the Project. \$0 will be capitalized. The Replacement Reserve will then be funded from project operations in the amount of \$500 per unit per year, increasing 3% annually. For Acquisition and rehabilitation projects, the Physical Needs Over Time analysis may indicate a higher annual contribution is required. The Replacement Reserve will be held in an account requiring the joint signatures of the General Partner and the Limited Partner.

D) The General Partner/Sponsor will establish an "ACC Transition Reserve". The minimum amount to be deposited into this reserve will be \$50,697. The ACC Transition Reserve will

be held in an account requiring the joint signatures of the General Partner/Sponsor and the Limited Partner. The final amount, timing, and documentation with respect to this reserve will be in form and substance acceptable to the Limited Partner.

H. Opinion of Counsel

The Limited Partner's attorneys will prepare the Partnership Agreement, review due diligence, and prepare the Limited Partner's tax opinion. The General Partner and the Partnership's counsel will prepare all other necessary documents, collect due diligence, legal opinions, and perform other work necessary to complete the transaction. The Limited Partner will require a satisfactory opinion of Partnership's counsel on certain corporate and other matters including formation of the Partnership, limited liability of the Limited Partner, no conflict between the Partnership Agreement and other binding contracts, no litigation, etc. The Partnership will pay its counsel and \$0 toward the Limited Partner's attorney fees.

I. Reporting

The Partnership will furnish Enterprise with (i) quarterly unaudited financial statements (not later than fifteen days after the end of each quarter) and (ii) annual audited financial statements and tax returns (not later than 45 days after the end of each year) prepared by an independent firm of certified public accountants - approved by Enterprise - who are familiar with reporting requirements applicable to LIHTC properties. Late reporting subjects the Partnership to a \$100 per day late fee.

J. Additional Requirements

In addition to the conditions set forth above, any investment by the Limited Partner is contingent upon availability of capital at the time of closing and upon review and approval by Enterprise's Investment Committee, in its sole and absolute discretion, of all of the following:

- Evidence of satisfactory market demand and appropriate rent and operating expense assumptions;
- Approval of the management agent and management plan;
- Acceptable commitments from all other sources of financing;
- Receipt of a satisfactory Phase I Environmental Assessment including radon, lead based paint and asbestos reports, as applicable;
- Satisfactory negotiation of the Partnership Agreement;
- Review and approval by the Limited Partner of all other required due diligence items;
- Review and approval by the Limited Partner of the Regulatory and Operating Agreement, Mixed-Finance Amendment to Annual Contributions Contract, and other documents relative to the operation of the public housing units in the project to confirm that:
 - combined operating subsidies, calculated in accordance with current PEL and UEL estimates, and public housing tenant rent is consistent with projected operations;
 - the Partnership has adequate remedies for loss of operating subsidy;
 - changes in public housing unit make up will satisfy the Partnership's residual analysis;
 - HUD's admissions and occupancy policy allows for site-based waiting lists and site-based tenant preferences consistent with the proposed marketing and management of the

Project;

- components of the overall redevelopment plan supportive of the proposed investment that are to be undertaken by entities outside the Partnership are appropriate and committed. Such review will include an examination of development budgets, financing commitments, status of contracts and financing, status of relocation of existing residents, demolition of existing structures, and construction of infrastructure, and capacity of the other development entities to ensure that project staging will allow for timely completion and operation of Partnership Project.
- Review and approval of all financing documents;
- Receipt and approval of all opinions;
- All other items material to the underwriting of the Project; and
- Investor approval,

Enterprise may waive any of the conditions to closing set forth in this letter. The waiver of any condition does not constitute a waiver of any remaining conditions.

The Sponsor acknowledges that upon execution of this letter, Enterprise will commence its underwriting process and due diligence review and will have its outside counsel commence the preparation of the transaction documents. In light of the direct and indirect costs of underwriting and due diligence, the Sponsor agrees that Enterprise will have an exclusive right to syndicate the credits for this Project which will terminate if the Limited Partner has not been admitted to the Partnership within 90 days after the projected closing date.

Please countersign this letter and send one fully executed copy to me. Upon receipt of this executed letter Enterprise will commence the due diligence and documentation process. This commitment will expire in 10 business days if the counter-signed copy is not received by Enterprise by the 11th day. We look forward to working with you.

Sincerely,
ENTERPRISE COMMUNITY INVESTMENT, INC.



Thomas R. Eastman
Vice President

Agreed and accepted:

By:

Title:

PROJECT ASSUMPTIONS

The terms and conditions set forth in the Commitment Letter including pricing are based on the following assumptions, which may be adjusted prior to closing:

1. Market rents as established by the Enterprise market analyst are at least 10% above the scheduled rents.
2. Economic vacancy rate of 5% or vacancy rate as established by the Enterprise market analyst.
3. Annual operating expenses of \$6,249 per unit net of Replacement Reserves and Investor Services Fee.
4. Should the Project not break even, the Property Management Fee paid to parties related to the General Partner or Guarantor will be deferred and collected from Cash Flow.
5. The project will have rental subsidy in the form of ACC covering 12 units.
6. In the event the rental or operating subsidies are not in full force and effect as per the projections, we assume the property could achieve base year gross rent potential due to adjusted use and rent restrictions.
7. The tax credit percentage of 7.55% for new construction or rehabilitation. The tax credit percentage must be locked at closing.
8. The Project contractor will provide a 15% letter of credit or 100% payment and performance bond. Retainage will be 10% through completion unless limited by state law.
9. Liquidated damages for delayed delivery will be built into the General Contract according to the following minimum standards:
 - Contracts up to \$5MM - \$500 per day
 - Contracts over \$5MM up to \$10MM - \$1,000 per day
 - Contracts over \$10MM up to \$15MM - \$1,500 per day
 - Contracts over \$15MM - \$2,000 per day
10. For projects in Uniform Building Code zones 3 or 4, a seismic survey will be required. Enterprise will not invest in projects with a Scenario Upper Loss ratio (SUL) above 40% post completion. Until such time as the SUL is below 20%, then earthquake insurance sufficient to cover replacement with a deductible of no more than 5% of insured value will be required.
11. Depreciation according to the following:

| | |
|--|------|
| Depreciable Life of Building | 27.5 |
| Depreciable Life of Furniture, Fixtures, Equipment | 5 |
| Depreciable Life of Site Work | 15 |

12. We have assumed that the financing and tax structure will be approved by our tax attorney.

Sources of Financing:

| Lender Name | Int. rate | Term | Amortization | Amount |
|----------------------|-----------|------|--------------|-----------|
| City of Philadelphia | 1.00% | 30 | 30 | 2,640,000 |
| FHLBNY | 1.00% | 30 | 30 | 1,020,000 |
| FHLBBoston | 1.00% | 30 | 30 | 500,000 |
| Neighborworks | 1.00% | 30 | 30 | 150,000 |
| Sponsor Loan TD | 1.00% | 30 | 30 | 100,000 |
| Deferred Fee | 1.00% | 15 | 15 | 152,931 |