

TRANSACTION TERMS SHEET

The following Transaction Terms Sheet is provided for convenience only and does not constitute a commitment to lend or borrow or an agreement to issue or accept a commitment on these or any other terms or to arrange any financing and shall not create a binding or legally enforceable obligation on the NYC Acquisition Fund, LLC or any other party in any way.

The terms contained herein are of a summary nature and are not all-inclusive. The activities and policies of the Fund will be governed by the legal documents that have been executed by parties to the Fund and reference is made to such documents for definitive descriptions of the Fund and its activities.

Introduction and Participants

Fund Organization: New York City Acquisition Fund, LLC (the “Fund”), with Enterprise Community Investment, Inc. (the “Manager”) as non-member Manager and the National Equity Fund, Inc. (“NEF”) as Co-Manager and Member. Enterprise New York Acquisition Member, LLC, holds one Membership interest and NEF holds the other Membership interest.

Fund Purpose: The Fund will do business in New York City’s five boroughs (“the City”). Its purpose is to encourage and facilitate the development of affordable housing, improve community stability and assist the City to address the challenges of expiring use properties. It will accomplish this by funding and/or guaranteeing acquisition and predevelopment loans to developers of affordable housing developments.

Fund Term: Ten years.

Foundations: A group of foundations that will make Program Related Investments or provide letters of credit (together, “PRI Loans”) to the Fund to provide credit enhancement for Project Loans.

City of New York: The City has loaned the Fund additional funds (the “BPC Trust Fund Loan”) to augment the PRI Loans in credit enhancing Project Loans.

Senior Lenders: A group of financial institutions (“Senior Lenders”) that will fund Project Loans pursuant to a Revolving Credit Agreement (“Senior Lender Loans”).

Project Loans

Project Loans: Acquisition and pre-development loans to not-for-profit or for-profit developers (“Project Loan Borrowers”) that meet the Fund’s purposes and that conform to the charitability provisions described in the “Charitable Purpose” Attachment.

Project Loans may be for rental or homeownership developments, for both new construction and preservation of low income housing. Project Loans will generally have first lien mortgages as collateral.

Proceeds may be used for expenses related to:

- Acquisition
- Capitalized interest
- Costs of obtaining take-out financing
- Appraisal
- Survey
- Architectural and engineering
- Attorney
- Title and zoning
- Mortgage recording tax
- Recording fees
- Environmental assessment/soil sampling
- Marketing feasibility study
- Tax credit application
- Carrying costs
- Environmental remediation
- Costs of assignment of mortgages

Construction costs are not eligible uses of Project Loan proceeds except for environmental remediation. Project Loan principal maturities are expected to be paid from proceeds of construction financing.

Project Loan Rate: Project Loan interest rates will be established at loan closings and may be at a variable rate paid monthly and set at Prime less 145 basis points plus an amount sufficient to pay guarantee fees, servicing fees, Administrative Agent fees, audit expenses and other

NEW YORK CITY ACQUISITION FUND LLC

Fund requirements. With Prime today at 8.25%, the approximate initial end user rate would be 7.65%:

| | |
|-------------------------------|------------|
| Prime | 8.25% |
| Less | (1.45) |
| Annual Fund Guarantee Premium | .50 |
| Annual Servicing Fee | .25 |
| Sr. Lender Agent Fee | .05 |
| Depository Bank Fee & | |
| Other Fund Expenses | <u>.05</u> |
| Total | 7.65% |

Project Loan Term: Maximum three years including extensions, as outlined below.

Extensions: The maturity date of a Project Loan may be extended twice for a period no longer than 6 months for each extension and for a total not to exceed a 12 months from the date of original maturity. Extensions are subject to Fund Manager approval.

Project Loan Origination

Originating Lenders:

A group of experienced non-profit and governmental lending institutions that will originate and service Project Loans. Originating Lenders will meet standards established by the Fund that provide a level of assurance as to institutional stability, breadth and depth of experience in the areas of loan origination and servicing, and balance sheet strength commensurate with the financial obligations required of them:

- Corporation for Supportive Housing
- Enterprise Community Loan Fund
- Local Initiatives Support Corporation
- Low Income Investment Fund
- NYC Housing Development Corporation

Underwriting Standards:

The Managers, Fund Manager and Administrative Agent have developed a set of underwriting criteria (the “Underwriting Standards”) (attached). These will serve as the basis for a delegated underwriting process whereby Originating Lenders will underwrite Project Loans.

Appraisals will be initiated by the Fund. Environmental surveys will be initiated by the Originating Lender or the Borrower, whichever conforms to the Originating Lender’s normal process. Both appraisals and environmental surveys will be performed by third parties that are on an approved list promulgated by the Credit Committee and will follow guidelines established by the Credit Committee. Any Phase II environmental reports will be reviewed by a third-party consultant contracted by the Fund. Phase II reports will necessitate development of an approved budget, remediation scope of work and health and safety plan.

Project Loan Approvals:

An Originating Lender will identify and underwrite a Project Loan and will submit a request for loan approval to the Fund. The Fund Manager will review the request and assess whether the Project Loan meets the Underwriting Standards or if the Project Loan fits

into the Exceptions Policy. The Project Loan submission will be reviewed by the Credit Committee accordingly.

Key Underwriting

Standards:

See Underwriting Standards and Exceptions Policy for a complete description of underwriting criteria.

Key underwriting criteria include:

- For Non-profit Borrowers: 120% LTV plus capitalized interest up to an aggregate of 130% LTV
- For For-profit Borrowers: maximum 95% LTV
- Minimum 5% equity from Project Loan Borrower to be expended at initial Project Loan closing. For not-for-profit borrowers this requirement may be satisfied by a subordinate loan (which can include a second lien on the property) from the Originating Lender or other party to the Project Loan Borrower. A portion of the equity requirement can be satisfied from in-kind contributions up to a limit of 1% of the Project Loan size. For-profit Borrowers must contribute the 5% in cash.
- For Non-profit Borrowers: 25% Project Loan Sponsor recourse supported by two years of audited financial statements
- For For-profit Borrowers: 25% recourse to Sponsor's principals supported by certified personal financial statements
- Loan size: maximum \$7,500,000
- 1st lien mortgage

Fund Sponsorship, Management and Administration

Fund Sponsorship: Enterprise Community Investment, Inc. (Manager) and the National Equity Fund, Inc. (co-Manager) will be the Fund's Managers.

Fund Manager: Forsyth Street Advisors, LLC

Working with the Manager, the Fund Manager will conduct the day-to-day activities of the Fund.

Project Loan

Servicer: Originating Lender of a Project Loan or such other entity as the Fund may designate.

Credit Committee: A six person committee composed of major stakeholders and memberships of the Fund. The Credit Committee will receive Project Loan Packages and will have final approval or disapproval of each Project Loan.

Security for Project Loans

Project Loan Funding:

Project Loans can be funded in three ways.

Senior Lender-funded Loan. A Project Loan will be sourced and underwritten by the Originating Lender and funded by the Fund, which will draw on Senior Lender commitments for 98% of the required amount and on the Originating Lender for 2% of the committed loan amount. The Fund will guarantee the Senior Lender-funded portion of the loan and the Originating Lender's 2% will incorporate a first loss feature.

Originating Lender Loan. A Project Loan will be sourced and underwritten by the Originating Lender, guaranteed by the Fund with the Originating Lender taking the top 2% exposure, and held by the Originating Lender. No Senior Lender capital will be used in this type of transaction.

Origination and Sale. A Project Loan will be originated by an Originating Lender and held for a period (not to exceed 90 days except for certain Project Loans originated prior to the closing of the Fund) on its balance sheet. Subsequently it will be sold to the Fund, which will fund 98% of it through a Draw (with the Originating Lender funding and holding a 2% participation on a first loss basis).

Amounts for predevelopment costs and capitalized interest, if any, will be drawn down as needed.

Fund Guarantee: Each Project Loan that is funded by Senior Lender Loans will receive a Fund Guarantee covering Net Loan Losses, defined as the loss net of foreclosure proceeds resulting from any default under a Project Loan, including accrued interest and other charges and expenses.

Foundation Program Related Investments and BPC Trust Fund Loan

- Purpose:** The PRI Loans provide financial support for Fund guarantees on Project Loans and thus give Senior Lenders incentive to finance transactions that:
- Are outside their normal credit standards;
 - Bear rates lower than market;
 - Increase program efficiency by allowing underwritings to be delegated to non profit financial institutions and the HDC; and
 - Conform to the IRS's charitable purpose guidelines.

Charitability Requirements: Project Loans made to Projects must, in the aggregate, satisfy certain charitability tests as described in the Charitability Requirements (attached).

BPC Trust Fund Loan: An additional loan from the City to the Fund to augment the PRI Loans in credit enhancing Project Loans.

Flow of Funds, Defaults, Representations and Warranties, Covenants

Interest Payments on Senior Lender-funded Project

Loans:

Project Loan interest will be due on the 1st day of each month, payable to the Fund. Amounts representing monthly interest on the Senior Lender Loan will not be drawn down under the Revolving Credit Agreement but will instead be credited to the respective Project Loan and will thereby increase the size of the loan. Project Loan interest in excess of such interest on the Senior Lender Loan will be drawn down under the Revolving Credit Agreement and disbursed by the Fund. Such amounts will also increase the size of the Project Loan. Subsequent interest payments will be calculated on the increased Project Loan size.

Disbursements on Project Loans for Pre Development

Expenses:

As needed, Originating Lenders will present to the Fund requests for advances under Project Loans to pay for pre development expenses. Such requests will be approved by the Fund Manger with reference to the original Project Loan approval documents and funded by the Fund or the Originating Lender depending on who holds the loan. Such advances will increase the size of the Project Loan.

Project Loan

Delinquencies:

A Project Loan that misses any payment of interest or principal or that violates any other covenant or obligation under the loan agreement after giving effect to the appropriate grace period, will be deemed delinquent. If any Project Loan Borrower fails to make all or part of its scheduled debt service payment or is otherwise in violation of its loan agreement for three consecutive months, the Project Loan Servicer will inform the Fund of its proposed course of action for curing the default, which may include loan restructuring or liquidation and which may cause the Project Loan to go on non accrual status. For any Project Loan restructuring, the Fund will approve the terms of the workout plan and, if appropriate, the role of a special servicer (which may or may not be the Project Loan Servicer) and the appropriate compensation for such special

servicer. Project Loan events of default will also include non-monetary defaults such as Project Loan Borrower bankruptcy or failure to meet loan covenants or achieve key development milestones.

Workout plans will contain milestones, and if, on a defaulted Project Loan, there is a material failure to achieve such benchmarks, the Fund, acting on behalf of the Senior Lenders, the Foundations and the City, will assume responsibility for further actions with respect to the Property and/or the Project Loan Borrower.

In the development of a workout plan, if the Fund concludes that additional funds are required to effect the stabilization of a Project Loan, additional monies may be lent by the Senior Lenders to the Fund and then to the Project Loan Borrower.

For defaulting Project Loans held by Originating Lenders, the process described will be similar.

Additional Fees

- Servicing Fees:** .25% of Project Loan outstanding principal payable to Originating Lender/Servicer. Higher Servicing Fees will be considered for special servicer situations. The servicing fee is built into the interest rate.
- Guarantee Premium:** Up to .50% of Project Loan principal committed by the Fund. Payable from Project Loan Proceeds at initial loan closing, in addition to the fees built into the interest rate.
- Guarantee Fee:** .50% annually of outstanding Project Loan principal payable monthly to Fund from interest payments on Project Loans. The guarantee fee is built into the interest rate.
- Senior Lender Agent Fee:** .05% of Senior Lender debt outstanding, payable concurrently with debt service on Senior Lender Loans. The Senior Lender Agent fee is built into the interest rate.