



Lincoln Consulting Group, LLC
Apartment Advisors and Investors

1/23/2018

Mr. Lee Zieben
Zieben Group
1980 Post Oak Blvd., Suite 2020
Houston, TX 77056

**Re: Gulf Coast Arms Apartments (160 Units)
Houston, TX 77026**

Dear Mr. Zieben,

I am working with an affordable housing group that is very interested in purchasing and taking over the stewardship of the Gulf Coast Arms Apartments, so we have prepared a proposal for you to consider. Please find enclosed Nautilus Affordable Housing, LLC's proposal to acquire the property. It is their intent to continue to operate it as an affordable housing community in perpetuity.

Nautilus Affordable Housing, LLC is an affordable housing organization whose mission is to preserve and steward affordable rental housing to provide stability, hope and economic security to low- and moderate-income seniors and families. Their goal is strong stewardship of affordable housing and they seek to keep the current residents in place at no additional cost to those tenants. The proposed purchase price by the Nautilus Affordable Housing, LLC is \$12,000,000.00 "free and clear". The change in Stewardship is contingent upon HUD assignment and extension of the existing HAP contract to Nautilus Affordable Housing, LLC. Additionally, the transaction shall be subject to Buyer receiving an allocation of volume cap for tax-exempt bonds and an allocation of low income housing tax credits.

Please review the enclosed proposal and if it meets with your approval, sign and return it to me, on or before Friday, March 30, 2018.

I will contact you in the next few days to discuss how we can move this proposed transaction along. We look forward to working with you. Feel free to contact me with any questions at 949-863-1388, ext. 802.

Sincerely,

Ernest M. Reyes
Senior Vice President



Lincoln Consulting Group, LLC
Apartment Advisors and Investors

January 23, 2018

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Mr. Lee Zieben
Zieben Group
1980 Post Oak Blvd., Suite 2020
Houston, TX 77056

Re: Gulf Coast Arms Apartments (160 Units)
6603 Hirsch Road
Houston, TX 77026

Dear Mr. Zieben,

I am submitting to you the following Letter of Intent for Nautilus Affordable Housing, LLC or assignee, to acquire the above referenced property "free and clear" from your group. This letter is to clarify the purchase price they are prepared to pay and the general terms which will be further delineated in a formal Purchase and Sale Agreement and Escrow Instructions ("PSAEI"). Nautilus Affordable Housing, LLC's acquisition is based upon the following:

- Purchase Price: \$12,000,000 Purchase subject to HUD approvals and new LIHTC financing.
- Deposit to Escrow: Buyer to deposit \$65,000.00 into escrow, upon execution of formal Purchase Agreement and Escrow Instructions. At the conclusion of Due Diligence, Buyer shall deposit additional \$65,000.00 that shall remain in escrow and entire deposit shall then be nonrefundable upon removal of all Buyer's contingencies. All deposits and payment (\$130,000.00) are applicable to Purchase Price.
- Due Diligence: Forty-five (45) days to review, inspect, and approve or disapprove "Documents to Buyer" (specified herein), the Property, and title matters.

Documents to Buyer (To the extent that these exist and are available from the Seller, or available at site):

1. Current and prior three years Annual & Monthly Operating Statements, Audits and Budgets.
2. Copies of Current Rent Roll and all Tenant Rental Agreements.
3. Copies of any Regulatory Agreements or Contracts impacting the property or its operations.
4. Utility Account Numbers and prior monthly detail for recent twelve months.
5. Current year's and last year's bills for Taxes and Insurance.
6. A detailed list of all recent improvements completed by Seller and their cost along with the warranties still in effect for any of the major items.
7. Copies of all current service and vendor contracts.
8. Copy of Blueprints/original construction plans.
9. Certified pest/termite clearance and report.
10. Phase One Environmental Report, ALTA survey, and MAI appraisal.
11. Property Title Report and all exceptions.
12. Inventory Lists (office, maintenance, and grounds).
13. Staffing Information: names, dates, compensation, length of service and employment agreements.
14. Other necessary items to be delineated during drafting of PSAEI.

Closing Costs: All transfer taxes, title, escrow and other costs and fees shall be paid as is customary in the county in which the Property is located.

HAP/LIHTC Contingency: For HAP, the transaction shall be subject to Buyer obtaining receipt of official consent from the Department of Housing and Urban Development (HUD) to assign (from Seller to Buyer) and extend the existing Section 8 Housing Assistance Payments (HAP) contract.

For LIHTC, the transaction shall be subject to Buyer receiving an allocation of volume cap for tax-exempt bonds and an allocation of low income housing tax credits.

Escrow and Closing: Opening to occur within three (3) business days of execution of formal PSAEI, with closing to occur on or before Thirty (30) days after satisfaction of all of Buyer's contingencies. Title and Escrow Insurance to be provided by Lawyers Title Insurance Corporation (Judy Sorensen). Proration at close for any reserves, rents, security deposits, any prepaid contracts or onetime incentive fees for laundry service, telephone, utilities, cable/satellite services, etc. received by Sellers, during their ownership.

Extensions to Escrow: Seller shall grant Buyer Two (2) Thirty (30) day extension(s) to the close of escrow, for which Buyer shall deposit an additional \$25,000.00 each. Said funds will apply to the Purchase Price, and shall be nonrefundable at time of deposit.

Representations/Warranties: Buyer is buying property "As is, where is", however, Seller represents and warrants that they will disclose all of their knowledge and findings of the property and its operations to Buyer. Buyer will spend money on third party inspections based upon Seller's representations and disclosures.

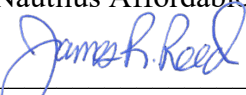
Consulting Fee: Seller to pay Lincoln Consulting Group, LLC a consulting fee of three percent (3.00%) of the Purchase Price due in cash at close of escrow. Fee to be paid out of Seller's proceeds directly from escrow.

Time is of the essence. This letter shall be valid until Friday, March 30, 2018 at 5:00 p.m. PST.

Sincerely,
Lincoln Consulting Group, LLC

Ernest M. Reyes
Senior Vice President


Agreed (Buyer):
Nautilus Affordable Housing, LLC



James R. Reed Date
Manager

Agreed (Seller):
Gulf Coast Arms, Ltd

Lee Zieben