

SELTZER MANAGEMENT GROUP, INC.

17633 ASHLEY DRIVE
PANAMA CITY BEACH, FL 32413
TEL: (850) 233-3616
FAX: (850) 233-1429

February 28, 2011

VIA EMAIL

Mr. Todd Fowler
Florida Housing Finance Corporation
227 North Bronough Street
Tallahassee, Florida 32301

Re: Lewis Place at Ironwood
1999-036S / 2000-514C
Transfer of General Partner Interest

Dear Mr. Fowler:

On your behalf, Seltzer Management Group, Inc. ("SMG" or "Seltzer") has reviewed a request for the Florida Housing Finance Corporation ("FHFC" or "Florida Housing") to consent to the transfer of the general partner interest of Lewis Plaza, Inc. (the "GP"), General Partner of the Borrower/Partnership, Lewis Place Associates, Ltd., and to the replacement of the Management Company. Specifically, SMG has been requested to determine that The Partnership, Inc. (the "Replacement GP" or "TPI"), has the prerequisite financial strength and experience to successfully own and operate the subject property and is qualified to manage the day to day operations of the subject property.

For the purposes of this analysis, SMG has reviewed the following:

1. Correspondence from the Bond Mortgage Servicer, Centerline Mortgage Capital, Inc., and Special Limited Partner, Related Corporate XI SLP, LP, requesting Florida Housing's consent to replace the GP
2. Credit Underwriting Report dated October 14, 1999
3. 2009 Audited Financial Statements and 6/30/10 Mid-Year Financial Reporting for Lewis Place Associates, Ltd.
4. Compliance Management Review files
5. Centerline 2009 Annual Report
6. Corporate resume, September 30 FYE 2008 and 2009 unaudited financial statements, 2008 and 2009 tax returns and a 2010 tax return extension form for TPI
7. FHFC Past Due Report dated January 10, 2011
8. FHFC Non-Compliance Report dated January 6, 2011

In addition, SMG has had various conversations with FHFC staff concerning the GP ownership change.

Mr. Todd Fowler
Lewis Place at Ironwood
February 28, 2011
Page 2

Our findings are as follows:

- The GP was an entity owned 60% by Howard K. Wallace, Jr. and 40% by Edward L. Jennings, Jr. Mr. Wallace is now deceased. Mr. Jennings is employed by the United States Department of Housing and Urban Development (“HUD”) as its Southeast Regional Administrator.
- The equity Investment Limited Partner is RCC Credit Facility, L.L.C, an affiliate of Related Capital Company at the time of the investment. In 2003 Related Capital Company was acquired by Charter Municipal Mortgage Acceptance Company (“CharterMac”) who was later renamed Centerline Capital Group, Inc. (“Centerline”). The Special Limited Partner is Related Corporate XI SLP, LP.
- The subject transaction was primarily funded through the proceeds of tax-exempt mortgage revenue bonds issued by the Housing Finance Authority of Alachua County, equity derived from the sale of accompanying “in-kind” 4% Housing Credits (“HC”), a SAIL Loan, and an Alachua County Department of Growth Management SHIP loan.
- Construction was completed in March 2000. Occupancy levels fluctuated between the mid 80’s to mid 90’s to a high in March 2006 (95.5%), hovered at 90% through Fall 2007, experienced 9 months right at 80% then 5 months at approximately 95% in late 2008, dropped into the 80’s in 2009, and has remained in the 70’s throughout 2010 with dips into the 60’s, and ended the year at 70%.
- The most recent Compliance Management Review for Lewis Place at Ironwood was performed by the Servicer on March 24, 2010. Discrepancies were noted, however, the last of which was resolved September 14, 2010. A Management Review is scheduled for March 2011.
- Audited Financial Statements for the year ended December 31, 2009, did not reflect any going concerns or pending litigation; however, it is noted that the development generated sufficient income to meet operating expenses but not enough to service the first mortgage debt and related fees. Cash Flows reflect a net loss for 2009. Assets are less than liabilities resulting in a partners’ deficit. The June 30, 2010 Mid-Year Financing Reporting reflects continued decline in the property’s debt service coverage ratio.
- The bonds were issued in June 1999 and were privately purchased by CharterMac, now Centerline. This loan was in a pool of loans later transferred to the Federal National Mortgage Association (“Freddie Mac”). Centerline advises that no loan terms and conditions changed upon transfer.
- Centerline is a national affordable housing and mortgage banking company raising some \$9.9 billion of equity and financing for more than 1,500 affordable housing properties in 47 states, Washington DC and Puerto Rico. The multifamily lending function has originated approximately \$9.0 billion of mortgage loans. 2009 Annual Report and accompanying Financial Statements reflect assets of \$6,003,526,000, liabilities of \$3,487,611,000 less redeemable securities of \$332,480,000, resulting in equity of \$2,183,435,000 and a major restructuring and recapitalization in 2010. Certain businesses were sold but HC origination and 1,250 affordable multifamily properties have been retained.
- TPI is a Florida Not-for-Profit corporation registered with the State of Florida in April 1996. An Annual Report was filed evidencing good standing through 2011. Its President, Secretary, Treasurer and Director is John Corbett. Its Vice President is Arthur Fufidio. Additional Directors are Robert O’Brien, Jr. and Jack Davis.
- A resume for TPI shows it was formed in 1994 to acquire and manage affordable multifamily properties. TPI currently is owner and/or manager of six properties (3 elderly, 3 family) totaling 999 units, all located in Florida. Five of these properties were funded through the sale of Low Income Housing Credits. TPI is currently a FHFC-approved management company.
- Review of the financial statements and tax returns of TPI indicate September 30, 2010 net equity of approximately \$3.3 million which is consistent with previous years and positive cash flow.

Mr. Todd Fowler
Lewis Place at Ironwood
February 28, 2011
Page 3

- FHFC Past Due Report dated January 10, 2011 lists past due amounts related to SAIL interest payments for the subject property and Eden Park at Ironwood with the same principals. Submittal of the 2011 Proposed Budgets and 2011 Capital Expenditures are also past due for both of these properties.
- FHFC Non-Compliance Report dated January 6, 2011 lists no non-compliance items for the development team or for the proposed management company.

Conclusion

Seltzer's review indicates that the Replacement GP through its affiliated entities has the prerequisite financial strength and experience to successfully own and operate the subject property and that TPI is a qualified management company.

Therefore, SMG recommends that FHFC consent to the transfer of the general partner interest to the Replacement GP and approve TPI as the new management company, subject to the following:

- The Replacement GP and the GP to execute any assignment and assumption documents FHFC deems necessary to effectuate the general partnership change including, but not limited to, Environmental Indemnity and Guaranty of Recourse Obligations.
- Satisfactory resolution of any non-compliance or past due items,
- Payment of all outstanding costs and fees to FHFC, its legal counsel and servicer,
- Consent of the HC equity provider, where applicable, and
- Review and approval of all loan documents by Florida Housing's legal counsel,
- Any other requirement of FHFC, its legal counsel and servicer.

I hope this correspondence has been helpful and please do not hesitate to contact me if I can be of further assistance.

Sincerely,

SELTZER MANAGEMENT GROUP, INC.



Cindy Highsmith
Credit Underwriting Manager