

Florida Housing Finance Corporation

Credit Underwriting Report

Captiva Cove Apartments

MMRB (NIBP), HOME and HC Programs

RFP 2009-06-08

2010A-214B

Section A Report Summary

Section B Loan Conditions and HC Allocation Contingencies

Section C Supporting Information and Schedules

Prepared by

Seltzer Management Group, Inc.

Final Report

July 7, 2011

CAPTIVA COVE APARTMENTS

TABLE OF CONTENTS

	<u>Page</u>
Section A	
Report Summary	
➤ Recommendation	A1-A10
➤ Overview	A11-A16
➤ Uses of Funds	A17-A21
➤ Operating Pro Forma	A22-A24
Section B	
MMRB (NIBP) and HOME Program Loan Conditions	B1-B7
Housing Credit Allocation Recommendation and Contingencies	B8
Section C	
Supporting Information and Schedules	
➤ Additional Development and Third Party Information	C1-C7
➤ Borrower Information	C8-C14
➤ Guarantor Information	C15
➤ Credit Enhancer Information	C16
➤ Syndicator Information	C17-C18
➤ General Contractor Information	C19-C20
➤ Property Manager Information	C21
Exhibits	
15 Year Income and Expense Projection	1
Features/Amenities and Resident Programs	2. 1-5
Completeness and Issues Checklist	3. 1-2
HC Allocation Calculation	4. 1-3

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Section A
Report Summary

JULY 7, 2011

Recommendation

Seltzer Management Group, Inc. (“SMG” or “Seltzer”) recommends Multifamily Mortgage Revenue Bond (“MMRB”) Program Loans totaling \$20,500,000 be awarded to the Subject Development by Florida Housing Finance Corporation (“FHFC” or “Florida Housing”) in the form of \$3,200,000 of Market-Rate (“Construction Bridge”) Tax-Exempt Bonds for Construction Financing plus \$14,200,000 of New Issue Bond Program (“NIBP”) and \$3,100,000 of Market-Rate Tax-Exempt Bonds (a total of \$17,300,000) for Construction/Permanent Financing. SMG also recommends FHFC award a RFP 2009-06 Home Partnerships Investment Program (“HOME”) Loan in the amount of \$5,000,000 and an Annual Housing Credit (“HC”) Allocation in the amount of \$1,464,392 based upon the Qualified Basis Calculation for Construction/Permanent Financing of Captiva Cove Apartments.

DEVELOPMENT & SET-ASIDES				
Location	1201 S. Dixie Highway West, Pompano Beach, Broward County, Florida 33060			
Number of Units/Unit Mix	Bed-rooms	Baths	No. of Units	Unit Size (SF)
	1	1	72	765
	2	2	132	1,027
	3	2	60	1,201
	Totals		264	262,704
Demographic Commitment	Family			
Set Asides	MMRB – 85% of the units (225 units) at 60% or less of Area Median Income (“AMI”) HOME – 100% of units are HOME assisted; 80% of units (211 units) at 60% or less of AMI (High HOME rents) and 20% of units (53 units) at 50% or less of AMI (Low HOME rents) HC – 100% of the units at 60% or less of AMI			
Set Aside Term	MMRB, HOME and HC – 50 Years			
HOME Subsidy Limits	72	– 1 Bedrooms	– \$	87,259
	132	– 2 Bedrooms	– \$	106,108
	60	– 3 Bedrooms	– \$	137,268
	Maximum HOME Subsidy \$28,524,984, however the maximum per HOME RFP 2009-06 is \$5,000,000			
County Size	Large (E)			
Development Category	New Construction			
Development Type	Garden Style			
Occupancy Rate	N/A			

MMRB (NIBP), HOME AND HC CREDIT UNDERWRITING REPORT

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Improvements	There will be 11 three-story garden-style Residential Buildings with cast-in-place concrete and/or concrete block walls over concrete slab-on-grade foundations. Exteriors walls will be stucco, with roofs of ceramic tile. There will be 3 Accessory Buildings; a Clubhouse, Maintenance Building and Mail Kiosk.
Parking	473 parking spaces, of which 9 are handicap spaces, which meets local code requirements.
Site Acreage	15.01 gross acres per an April 22, 2011, ALTA/ACSM Title Survey by Martinez & Martinez Enterprises, Inc. ("Martinez"), Hialeah, Florida
Density	17.59 units per gross acre
Zoning	RM-20; Residential Multifamily up to 20 units per acre.
Flood Zone Designation	Zone "AH" (area subject to 100-year shallow flooding) per the Martinez Survey. Flood insurance is required.
DEVELOPMENT TEAM	
Applicant	Captiva Cove Associates, Ltd., a Florida Limited Partnership registered with the State of Florida on December 10, 2007.
Co-General Partners	Cornerstone Captiva Cove, L.L.C. ("CCC"), a Florida Limited Liability Company with a 0.01% ownership interest that registered with the State of Florida on December 10, 2007. CCC is owned by the Stuart I. Meyers Family Limited Partnership at a 20.0% ownership interest, Jorge and Awilda Lopez, tenants by entireties, at a 52.5% ownership interest, M3 Assets, L.L.C. (a business interest of Leon J. Wolfe), at a 10.0% ownership interest and the M.S. Mades Family Limited Partnership at a 17.5% ownership interest.
Limited Partner/Syndicator	The current Limited Partners with a combined ownership interest of 99.99% are the Stuart I. Meyers Family Limited Partnership (20.0%), Jorge and Awilda Lopez, tenants by entireties (45.0%), M3 Assets, L.L.C. (17.5%), and the M.S. Mades Family Limited Partnership (17.5%). Stratford Capital Group, L.L.C. ("Stratford"), Peabody, Massachusetts, or an affiliate controlled by Stratford, will replace the current Limited Partners by purchasing the Limited Partner interests prior to or concurrent with the MMRB/HOME Loan closing. Stratford will assign a 0.01% ownership interest to an affiliate to act as a Special Limited Partner.
Developer	CSG Development Services II, L.L.C. ("CSG"), Hollywood, Florida. CSG is owned by the Stuart I. Meyers Family Limited Partnership (20.0%), Jorge and Awilda Lopez, tenants by entireties (52.5%), M3 Assets, L.L.C. (10.0%), and the M.S. Mades Family Limited Partnership (17.5%).

MMRB (NIBP), HOME AND HC CREDIT UNDERWRITING REPORT

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Guarantors	Applicant, CCC and CSG plus Stuart I. Meyers, Jorge and Awilda Lopez, Leon J. Wolfe, and Mara S. Madez, individually.
General Contractor	CSG Construction, L.L.C. ("CSGConst"), Hollywood, Florida, a related entity.
Architect	Burgos Lanza & Associates ("BLA"), Coral Gables, Florida
Property Management Company	CSG Management Services, L.L.C. ("CMS"), Hollywood, Florida, a related entity.
First Mortgage Lender	FHFC
Credit Enhancer	Oak Grove Commercial Mortgage, L.L.C. ("OGC"), Grapevine, Texas, the Federal Home Loan Mortgage Corporation ("Freddie Mac"), McLean, Virginia and JPMorgan Chase Bank, N.A. ("JPChase"), Tampa, Florida
FINANCING INFORMATION	
FHFC Programs	MMRB, HOME and HC Programs
NIBP Loan	\$14,200,000
"All in" Underwritten Interest Rate	6.24% – Construction Phase 5.09% – Permanent Period
Term/Amortization	31.5 / 35
Market-Rate Bond Loan	\$3,100,000
Term/Amortization	31.5 / 35
"All in" Underwritten Interest Rate	6.74% – Construction Phase 5.59% – Permanent Period
Market-Rate "Construction Bridge" Loan	\$3,200,000
Term/Amortization	24 months allowed with two 6-month extensions available (36 months maximum) / N/A
"All in" Underwritten Interest Rate	5.33%
HOME Loan Amount	\$5,000,000
Underwritten Interest Rate	1.00%
Term/Amortization	32 / N/A
Market Rent/Market Financing Value at Stabilization	\$28,700,000
Market Rent Loan to Value ("LTV") – Combined MMRB	71.43% – Construction Phase 60.28% – Permanent Period
Market Rent LTV Combined MMRB and HOME	88.85% – Construction Phase 77.70% – Permanent Period
Restricted Rent/Favorable Financing Value at Stabilization	\$22,800,000
Restricted Rent LTV Combined MMRB	89.91% – Construction Phase 75.88% – Permanent Period

MMRB (NIBP), HOME AND HC CREDIT UNDERWRITING REPORT

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Restricted Rent LTV Combined MMRB and HOME	111.84% – Construction Phase 97.81% – Permanent Period
Projected Net Operating Income	\$1,309,476
Debt Service Coverage (“DSC”) – NIBP Loan	1.506
DSC – NIBP and Market-Rate Loans	1.222
DSC – NIBP, Market-Rate and HOME Loans	1.167
NIBP Loan to Cost	35.38% – Based upon Bond Issue of \$14,200,000
Market-Rate Loan to Cost	7.72% – Based upon Bond Issue of \$3,100,000
Construction Bridge Loan to Cost	7.97% – Based upon Bond Issue of \$3,200,000
FHFC HOME Loan to Cost	12.46% – Based upon Principal Amount of \$5,000,000
FHFC Assistance Per Unit (MMRB + HOME)	\$96,591 – Based upon \$14,200,000 NIBP, \$3,100,000 Market-Rate and \$3,200,000 Market-Rate Construction Bridge MMRB Tax-Exempt Loans plus the \$5,000,000 FHFC HOME Program Loan
Annual HC Allocation per Unit	\$5,547
Syndication Price	\$0.8006 per dollar of HC
Bond Structure	NIBP and Market-Rate – Fixed Rate, Amortizing Construction Bridge – Draw-Down, Variable-Rate and Non-Amortizing
Operating Deficit Reserve (“ODR”)	\$845,000 ODR Required by Stratford

Construction / Permanent Sources:

Source	Lender	Construction	Permanent	Permanent Loan per Unit
NIBP Bond Loan	FHFC	\$14,200,000	\$14,200,000	\$53,788
Market-Rate Bond Loan	FHFC	\$3,100,000	\$3,100,000	\$11,742
Market-Rate Construction Bridge Bond	FHFC	\$3,200,000	\$0	\$0
Subordinate HOME Mortgage Loan	FHFC	\$5,000,000	\$5,000,000	\$18,939
Subordinate SHIP Mortgage Loan	Broward County	\$959,240	\$959,240	\$3,633
Subordinate HOME Mortgage Loan	Broward County	\$445,000	\$445,000	\$1,686
Subordinate HOME/CDBG/NSP Mtg. L	Pompano Beach	\$2,000,000	\$2,000,000	\$7,576
HC Equity	Stratford	\$7,051,000	\$11,192,000	\$42,394
Deferred Developer Fee	CSG	\$4,213,253	\$3,272,253	\$12,395
Total		\$40,168,493	\$40,168,493	\$152,153

Changes from the Application:

COMPARISON CRITERIA	YES	NO
Does the level of experience of the current team equal or exceed that of the team described in the application?	X	
Are all funding sources the same as shown in the Application?		1
Are all local government recommendations/contributions still in place at the level described in the Application?	X	
Is the Development feasible with all amenities/features listed in the Application?	X	
Do the site plans/architectural drawings account for all amenities/features listed in the Application?	X	
Does the Applicant have site control at or above the level indicated in the Application?	X	
Does the Applicant have adequate zoning as indicated in the Application?	X	
Has the Development been evaluated for feasibility using the total length of set-aside committed to in the Application?	X	
Have the Development costs remained equal to or less than those listed in the Application?		2
Is the Development feasible using the set-asides committed to in the Application?	X	
If the Development has committed to serve a special target group (e.g. elderly, large family, etc.), do the development and operating plans contain specific provisions for implementation?	X	
HOME ONLY: If points were given for match funds, is the match percentage the same as or greater than that indicated in the Application?	N/A	
HC ONLY: Is the rate of syndication the same as or greater than that shown in the Application?	X	
Is the Development in all other material respects the same as presented in the Application?		3

The following are explanations of each item checked "No" in the table above:

1. Funding Sources:

- a. Stratford will be the Syndicator of the HC in the total amount of \$11,192,000, replacing Raymond James Tax Credit Funds, Inc., St. Petersburg, Florida, which was reflected as HC Syndicator for \$13,184,585 in Applicant's RFP 2009-06 HOME Response. Please

note that Stratford was designated as HC Syndicator in Applicant's MMRB Application, but at a lesser amount of \$3,136,336 when just 92 units were contemplated (see below).

- b. OGC will provide Freddie Mac Credit Enhancement in the amount of \$17,300,000, \$14,200,000 of which will be NIBP Tax-Exempt Bonds and \$3,100,000 of which will be Market-Rate Tax-Exempt Bonds. JPChase will provide Direct-Pay Letter(s) of Credit to support the Tax-Exempt Bond Issues. In addition, JPChase will purchase \$3,200,000 of Market-Rate Tax-Exempt Bonds it calls a "Construction Bridge Loan". This structure replaces the \$27,000,000 CW Capital, L.L.C., FHA Credit Enhancement reflected in Applicant's Request for Proposal ("RFP") 2009-06 HOME Response and the \$7,600,000 Prudential Mortgage Capital Company FHA/GNMA Credit Enhancement reflected in Applicant's MMRB Application.
- c. The Subject Development has been awarded Broward County's \$959,240 State Housing Initiatives Partnership ("SHIP") Loan was incorrectly reflected as \$959,640 in its MMRB Application (typographical error).
- d. Broward County has approved additional funding for Captiva Cove in the form of a \$445,000 HOME Program Loan
- e. The City of Pompano Beach has approved a new loan of \$2,000,000 for the Subject Development, consisting of \$950,000 in HOME/Community Development Block Grant ("CDBG") funds and \$1,050,000 in Neighborhood Stabilization Program ("NSP") funds.

2. Development Costs:

Although Underwritten Development Costs at \$40,168,493 are less than those in Applicant's RFP 2009-06 Response, they are \$28,049,575 (231.5%) higher than the \$12,118,918 in Applicant's MMRB Application. The increase is directly related to an increase in the number of units from 92 to 264 (see below).

3. Other Changes from the Application:

- a. Ownership interests for Applicant have been revised subsequent to submission of the MMRB and RFP 2009-06 HOME Applications. The ownership interest of Jorge and Awilda Lopez, tenants by entireties, increased 7.5% (to 52.5%) and the ownership interest of M3 Assets, L.L.C., a business interest of Leon J. Wolfe, decreased 7.5% (to 10.0%). The ownership interests of the Stuart I. Meyers Family Limited Partnership at 20.0% and the M.S. Mades Family Limited Partnership at 17.5% are unchanged.
- b. The Developer Entity has changed from CSG Development Services, L.L.C., to CSG. Ownership interests for CSG are the Stuart I. Meyers Family Limited Partnership (20%), Jorge and Awilda Lopez, tenants by entireties (52.5%), M3 Assets, L.L.C. (10.0%), and the M.S. Mades Family Limited Partnership (17.5%).
- c. The Development Site is 15.01 acres, which is reflective of Phase I of what CSG now considers to be a two-phase development for Captiva Cove Apartments. Applicant requested MMRB Program and HOME Program approval from FHFC in writing on May 3, 2011, and May 10, 2011, respectively, to change Phase I, the Subject Development, from that reflected in its MMRB Application and RFP 2009-06 HOME Response, as follows:

MMRB (NIBP), HOME AND HC CREDIT UNDERWRITING REPORT

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<u>Request</u>	<u>MMRB</u>	<u>HOME RFP</u>
11 Residential Buildings	4	15
Unit Mix:		
72 One-Bedroom/One-Bath units	24	
132 Two-Bedroom/Two-Bath units	44	
<u>60</u> Three-Bedroom/Two-Bath units	<u>24</u>	
264 Total	92	360

The number of units for Captiva Cove Apartments was discussed in a conference call with FHFC, Developer and SMG representatives. The conferees came to a consensus on 264 units.

- d. The General Contractor has changed from Cornerstone Group Construction, Inc., to CSGConst, both of which are related entities.

The above changes have no material impact on Seltzer's MMRB, RFP 2009-06 and HC Recommendations.

Does the Development Team have any FHFC Financed Developments on the Past Due/Non-Compliance Report?

Florida Housing's May 26, 2011, Non-Compliance Report reflected no Non-Compliance Issues for The Cornerstone Group.

Florida Housing's Past Due Report dated May 31, 2011, reflects The Cornerstone Group as Past Due for:

- a. The Preserve at Boynton Beach: CWHIP Loan in the amount of \$5,000,000 matured April 14, 2010. Borrower's request for an extension was approved at the April 30, 2011, FHFC Board meeting, however the extension documents have not been completed.
- b. Oaks at Ellenton: SAIL Loan of \$1,020,000 matured May 31, 2011. Borrower's request for an extension was approved at the June 10, 2011, FHFC Board meeting. Borrower has failed to remit Replacement Reserve deposits required under the SAIL Loan. The amount past due through March 31, 2011, is \$9,156 (\$2,800 per month).
- c. Portofino: Year 2010 SAIL Compliance Monitoring Fees of \$727, Financial Monitoring Fees of \$536 and Servicing Fees of \$7,500 are past due.
- d. Bonita Pointe: Failure to Maintain Required Liquidity
- e. Carolina Club: Failure to Maintain Required Liquidity
- f. Indian Trace: Failure to Maintain Required Liquidity
- g. San Marco: Failure to Maintain Required Liquidity
- h. St. Croix: Failure to Maintain Required Liquidity

Seltzer's recommendations are subject to satisfactory resolution (as determined by FHFC) of any outstanding Past Due or Non-Compliance issues applicable to the Development Team by Loan Closing.

Strengths:

1. The Principals to this transaction, Stuart I. Meyers, Jorge Lopez, Leon J. Wolfe and Mara S. Mades, and their Development Team are experienced developers of Affordable Multifamily Housing.

Additional Information:

1. In its May 9, 2011, HC Equity Term Letter, Stratford requires an ODR of \$845,000, which is approximately 4 months of Annual Debt Service plus 4 months of Operating Expenses. SMG considers an ODR ranging between 3-6 months of Annual Debt Service plus 3-6 months of Operating Expenses to be reasonable. Seltzer's MMRB/HOME Program Loan and Annual HC Allocation Recommendations are contingent upon:
 - a. Prior approval of ODR disbursements by FHFC.
 - b. Upon expiration of the ODR, the balance in the ODR Account will be used to pay down FHFC-administered Loan Debt, if any, with the remaining amount deposited to the Replacement Reserve Account.

Issues and Concerns:

1. FHFC Guarantees – The Principals to this transaction, Stuart I. Meyers, Jorge Lopez, Leon J. Wolfe and Mara S. Mades, have disclosed that several of their properties have been foreclosed or are currently in litigation. Settlement of issues concerning Cornerstone properties have included modifications of loan terms (in some cases involving principal reductions) and requirements for The Cornerstone Group to make material future payments. Resolution to The Preserve at Boynton Beach past due Community Workforce Housing Innovation Pilot Program (“CWHIP”) Loan is contingent upon re-development/re-marketing as Affordable Rental Housing. SMG is unable to determine the impact that the foreclosures, settlements and/or unresolved disputes may have upon the financial capacity of Mr. Meyers, Mr. Lopez, Mr. Wolfe and Ms. Mades to provide meaningful Construction Completion and Operating Deficit Guarantees.
2. Housing Discrimination Lawsuit – SMG is aware of a Housing Discrimination Lawsuit filed against The Cornerstone Group and its related entities (including CMS) by the National Fair Housing Alliance, Inc., and the Coalition for Independent Living Options, Inc. The Plaintiffs allege Fair Housing Act violations at 28 Cornerstone properties across Florida including the Subject Development. The allegations against The Cornerstone Group, generally, and Captiva Cove, specifically, are related to accessibility by handicapped persons. Applicant states The Cornerstone Group will respond to the lawsuit and that it has insurance to defend and protect its position. The likelihood that The Cornerstone Group, its affiliates or its Principals will sustain a loss resulting from the lawsuit, and the amount of any potential loss cannot be determined at this time.

Mitigating Factors:

1. FHFC Guarantees – The Principals to this transaction have been and continue to face credit issues due to failed Market-Rate Residential Communities in South Florida that have resulted in a steep decline in home values. The Principals state they are actively engaged in reaching equitable resolutions.

Mr. Meyers, Mr. Lopez, Mr. Wolfe and Ms. Mades are reported to have interests in more than 50 Affordable Housing Properties. Their portfolio represents the largest credit exposure of Florida Housing's Guarantee Program. While several of their Guarantee Program and Non-Guarantee Program properties have been experiencing negative cash flow, the Principals reported their overall portfolio generated positive cash flow of \$6.9 million in 2010 and \$5.0 million in 2009. The Principals also reported positive cash flow of \$2.4 million in 2010 and \$2.1 million in 2009 from their property management companies. SMG notes the positive cash flow reported, however it does not consider the financial capacity of the Principals to provide meaningful Construction Completion and Operating Deficit Guarantees to be assured. SMG therefore recommends FHFC require Applicant to provide prior to MMRB and HOME Program Loan Closing two Letters of Credit ("LOC's"), as follows:

- a. A LOC for \$1,112,550 (5.0% of the \$22,251,000 Construction Contract), to be held by FHFC or the Loan Servicer and released upon 100% Lien-Free Construction Completion and receipt of all Certificates of Occupancy.
- b. A LOC for \$64,678 (5.0% of \$1,293,551, representing a combined six months of Operating Expenses and Debt Service), to be held by FHFC or the Loan Servicer and released upon Permanent Loan Conversion.

SMG makes Applicant's provision of the two LOC's a Special Condition to this Credit Underwriting Report.

2. Housing Discrimination Lawsuit – SMG received a response to the Captiva Cove allegations from Carlos Lanza, President of BLA, indicating his firm's Architectural Drawings are compliant with the Uniform Federal Accessibility Standards ("UFAS"). SMG also received a response from ConstruVision, Inc. ("CVision"), Tampa, Florida, engaged by SMG to perform the Pre-Construction Analysis ("PCA"). CVision reports the Architectural Drawings are in compliance with the Fair Housing Act. Out of an abundance of caution, however, and to ensure full compliance with the Fair Housing Act and the Americans with Disabilities Act, a Special Condition to this Credit Underwriting Report is a further review of the Building Plans by a qualified third-party professional satisfactory to FHFC and the Loan Servicer.

Other Considerations:

None

Waiver Requests/Special Conditions:

None

Recommendations:

SMG recommends FHFC approve MMRB Program Loans for Captiva Cove Apartments in the amount of \$20,500,000, in the form of \$3,200,000 of Market-Rate (Construction Bridge) Tax-Exempt Bonds for Construction Financing plus \$14,200,000 of NIBP and \$3,100,000 of Market-Rate Tax-Exempt Bonds (a total of \$17,300,000 for Construction/Permanent Financing. SMG also recommends FHFC award a RFP 2009-06 HOME Loan in the amount of \$5,000,000 and an HC Allocation in the amount of \$1,464,392 based upon Qualified Basis for Construction/Permanent Financing of Captiva Cove Apartments.

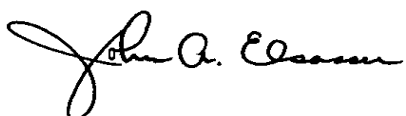
MMRB (NIBP), HOME AND HC CREDIT UNDERWRITING REPORT

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When utilizing a 1.00 to 1.00 DSC Ratio required by the State Board of Administration in its Fiscal Sufficiency Determination, the current NOI at a blended interest rate of 5.18% (based upon the underwritten rates) would support a Tax-Exempt Bond Amount of \$21,135,000.

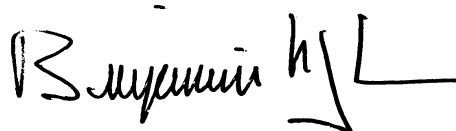
Seltzer's recommendations are based upon the assumptions detailed in the Report Summary (Section A) and the Supporting Information and Schedules (Section C). In addition, Seltzer's recommendations are subject to MMRB and HOME Loan Conditions and HC Allocation Contingencies (Section B). The reader is cautioned to refer to these sections for complete information. Seltzer's recommendations are valid for 6 months from the date of this Credit Underwriting Report.

Prepared by:



John A. Elsasser
Credit Underwriter

Reviewed by:



Benjamin S. Johnson
President

Overview
Construction Financing Sources

Source	Lender	Applicant	Revised Applicant	Underwriter	Interest Rate	Construction Debt Service
NIBP Tax-Exempt Bond Loan	FHFC	\$27,000,000	\$14,200,000	\$14,200,000	6.24%	\$757,598
Market-Rate Tax-Exempt Bond Loan	FHFC	\$0	\$3,100,000	\$3,100,000	6.74%	\$178,644
Market-Rate Construction Bridge Loan	FHFC	\$0	\$3,200,000	\$3,200,000	5.33%	\$145,829
Subordinate HOME Loan	FHFC	\$5,138,000	\$5,000,000	\$5,000,000	1.00%	\$0
Subordinate SHIP Loan	Broward County	\$959,240	\$959,240	\$959,240	0.00%	\$0
Subordinate HOME Loan	Broward County	\$0	\$445,000	\$445,000	0.00%	\$0
Subordinate HOME/CDBG/NSP Loan	Pompano Beach	\$0	\$2,000,000	\$2,000,000	0.00%	\$0
HC Equity	Stratford	\$11,470,246	\$7,051,000	\$7,051,000	N/A	\$0
Deferred Developer Fee	CSG	\$5,244,518	\$4,199,746	\$4,213,253	N/A	\$0
Total		\$49,812,004	\$40,154,986	\$40,168,493		\$1,082,071

MMRB Loan:

Borrower applied to FHFC for Tax-Exempt Bonds to finance the Subject Development. Per its May 10, 2011, Forward Commitment, OGC will provide Freddie Mac Credit Enhancement for \$17,300,000 in Tax Exempt Bonds, \$14,200,000 of which will be NIBP Bonds and \$3,100,000 of which will be Market-Rate Bonds. OGC's Credit Enhancement will be supported by a Construction Letter of Credit ("LOC") from JPChase up to \$17,300,000 (plus interest coverage acceptable to the Bank, Issuer and Freddie Mac) per a May 5, 2011, Term Letter. The JPChase Construction LOC will have a term of 24 months, with two 6-month extensions available upon payment of extension fee(s). Interest will be payable monthly on the outstanding bonds during the Construction Phase. SMG utilizes "all-in" underwriting interest rates of 6.24% for the NIBP and 6.74% for the Market-Rate Tax-Exempt Bonds, which rates are determined by a OGC base rates of 3.57% and 4.07%, respectively, plus Issuer, Freddie Mac and JPChase fees. FHFC will be secured by a First Mortgage on the Subject Development, a First Security Interest in all Personalty and an Assignment of Leases and HC. Freddie Mac will be in Second Lien Position behind FHFC, to be followed by JPChase in Third Lien Position. Upon issuance of Form(s) 8609, the JPChase Third Mortgage will be released.

Construction Debt Service reflected above is Seltzer's calculation based upon an average outstanding balance of 57% of the Loan Amount during a projected 18-month Construction Phase.

Market-Rate Loan:

Also per its May 5, 2011, Term Letter, JP Chase will purchase \$3,200,000 in Market-Rate (Construction Bridge), Variable-Rate Draw-Down Bonds. SMG utilizes JPChase's "all-in" underwriting interest rate of 5.33%. The Loan Term for the Construction Bridge Loan will be up to 24 months with two 6-month extensions available. The \$3,200,000 in Tax-Exempt Bonds will be retired from HC Equity provided by Stratford. JP Chase will be secured by a Fourth Mortgage Lien that will be released upon issuance of Form(s) 8609.

Other Construction Period Sources of Funds:

Additional Sources of Funds for the Subject Development during Construction Phase include a Florida Housing HOME Loan of \$5,000,000, a Broward County SHIP Loan of \$959,240, a Broward County HOME Loan of \$445,000, a City of Pompano Beach (combination) HOME/CDBG/NSP Loan of \$2,000,000, HC Equity of \$7,051,000 and Deferred Developer Fee of \$4,213,253. See the Permanent Financing section below for details.

Construction Stabilization Period:

Based upon demographic and market analysis (including existing and proposed developments) reflected in its Market Study dated March 8, 2011, Integra Realty Resources – Tampa Bay (“Integra”), Tampa, Florida, projected the Subject Development to achieve Stabilized Occupancy at 96.0% (not including a 1.0% collection loss), with absorption as an Affordable Property at a rate of 20 units per month. Stabilization should occur the ninth month following Construction Completion assuming leasing activities begin in Month 5 of an estimated 11-month Construction Period. SMG concludes an 18-month Construction Phase for purposes of this Credit Underwriting.

Permanent Financing Sources

Source	Lender	Applicant	Revised Applicant	Underwriter	Interest Rate	Amort. Yrs.	Term Yrs.	Annual Debt Service
NIBP Tax-Exempt Bond Loan	FHFC	\$27,000,000	\$14,200,000	\$14,200,000	5.09%	35	31.5	\$869,793
Market-Rate Tax-Exempt Bond Loan	FHFC	\$0	\$3,100,000	\$3,100,000	5.59%	35	31.5	\$201,969
Subordinate HOME Loan	FHFC	\$5,000,000	\$5,000,000	\$5,000,000	1.00%	N/A	32	\$50,000
Subordinate SHIP Loan	Broward County	\$959,240	\$959,240	\$959,240	0.00%	N/A	50	\$0
Subordinate HOME Loan	Broward County	\$0	\$445,000	\$445,000	0.00%	N/A	32	\$0
Subordinate HOME/CDBG/NSP Loan	Pompano Beach	\$0	\$2,000,000	\$2,000,000	0.00%	N/A	32	\$0
HC Equity	Stratford	\$13,184,585	\$11,192,000	\$11,192,000	N/A	N/A	N/A	\$0
Deferred Developer Fee	CSG	\$3,668,179	\$3,185,126	\$3,272,253	N/A	N/A	N/A	\$0
Total		\$49,812,004	\$40,081,366	\$40,168,493				\$1,121,762

MMRB Loan:

Tax-Exempt Bonds of \$17,300,000 will be credit enhanced by OGC per its May 10, 2011, Forward Commitment Letter. Of the \$17,300,000, there will be a NIBP issue of \$14,200,000 and a Market-Rate issue of \$3,100,000. OGC's participation is subject to OGC and Freddie Mac Loan Committee approval. SMG assumes said approvals. OGC offers a 30-month Forward Commitment Period (with a single 6-month extension available) followed by a 30-year Permanent Period on a 35-year amortization basis, with a balloon due at maturity. The Loan Term reflected in the above schedule, however, reflects Seltzer's 18-month Construction Phase followed by the 30-Year Permanent Period. SMG utilizes "all-in" underwriting interest rates of 5.09% for the NIBP and 5.59% for the Market-Rate Tax-Exempt Bonds, which rates are determined by a OGC base rates of 3.57% and 4.07%, respectively, plus Issuer and Freddie Mac Fees. FHFC will be secured by a First Mortgage on the Subject Development, a First Security Interest in all Personalty and an Assignment of Leases and HC, with Freddie Mac in Second Lien Position behind FHFC.

OGC terms and conditions are:

1. Maximum LTV is 90% of Market Value or 85% of Appraised Value utilizing a Capitalization Rate that has been reduced by 100 basis points ("bp's") as a means of valuing the Tax-Exempt Financing.
2. Minimum DSC of 1.15 on the final underwritten amortizing debt service, which will be derived by a Debt Service constant calculated at the final "all-in" locked rate.
3. Replacement Reserves estimated to be \$300 per unit per year.
4. Subordinate financing is subject to approval by Freddie Mac. It must have a term at least 90 days beyond the Freddie Mac term. Payments must be made out of not more than 75% of Available Cash Flow ("ACF"), or, if mandatory/hard payments are required, combined DSC cannot exceed 1.10 and combined LTV cannot exceed 90%.

5. An Irrevocable LOC for the Construction Period issued for the benefit of Freddie Mac in the amount of the principal plus 200 days of interest calculated at the default rate under the Trust Indenture. The LOC will be released at Permanent Loan Conversion upon achievement of a 1.15 DSC for 90 consecutive days pursuant to Freddie Mac underwriting.

Florida Housing Finance Corporation HOME Loan:

Applicant applied to FHFC for \$5,000,000 in HOME financing under RFP 2009-06 for Construction/Permanent Financing of the Subject Development. The HOME Program Loan will mature up to 6 months following that for the MMRB First Mortgage Loan. It will be non-amortizing, with a base interest rate at 1.00% per annum. Annual payments of all applicable fees will be required. To the extent that Development Cash Flow is available, interest payments will be due at the base rate of 1.00%. Payments must be made out of not more than 75% of Available Cash Flow ("ACF") per Freddie Mac requirements. Any unpaid interest will be deferred until Development Cash Flow is available. All unpaid interest and principal will be due at maturity. SMG underwrites the Subject Development assuming the payment of interest at 1.00%. Florida Housing's HOME Program Loan of \$5,000,000 will close in Fifth Lien Position, which will advance to Third Lien Position upon retirement of the JPChase Construction LOC and the Construction Bridge Loan Bond Issue.

HOME Set-Asides are 20% of the units at or less than 50% of AMI (rented at the Low HOME Rent Limit less the applicable utility allowance) and 80% of the units at or less than 60% of AMI (rented at the High HOME Rent Limit less the applicable utility allowance).

Broward County SHIP Loan:

Per a draft Multi-Family Housing Development Agreement, Broward County will provide the Subject Development \$959,240 in SHIP funding, to be secured by a 50-year Deferred Payment Mortgage at a zero percent (0.00%) interest rate. Terms of the agreement will require Captiva Cove to provide two SHIP-assisted units, however all units must be Affordable. Broward County's SHIP Program Loan of \$959,240 will close in Sixth Lien Position, which will advance to Fourth Lien Position upon retirement of the JPChase Construction LOC and the Construction Bridge Loan Bond Issue.

Broward County HOME Loan:

Per a draft HOME Funding Agreement and Promissory Note, Broward County will provide Captiva Cove \$445,000 in HOME funding, to be secured by a Deferred Payment Mortgage. Terms of the agreement presently include a Loan Term reflecting maturity at the end of the 30-year Affordability Period with interest at zero percent (0.00%). Required Set-Asides are 10 HOME-assisted units, however all of the units must be Affordable consistent with terms of the HC and Tax-Exempt Bond Programs. Broward County's HOME Program Loan of \$445,000 will close in Seventh Lien Position, which will advance to Fifth Lien Position upon retirement of the JPChase Construction LOC and the Construction Bridge Loan Bond Issue.

Note: Freddie Mac/OGC requires subordinate debt to mature at least 90 days beyond the maturity date of the First Mortgage Loan. Seltzer's Loan and HC Recommendations are conditional upon revision of the Broward County HOME Loan Term to meet or exceed the Freddie Mac/OGC requirement.

MMRB (NIBP), HOME AND HC CREDIT UNDERWRITING REPORT

SMG

City of Pompano Beach HOME/CDBG/NSP Loan:

Per an August 23, 2011, Agreement Letter, the City of Pompano Beach will provide the Subject Development \$2,000,000 in funding. The City of Pompano Beach Loan will consist of \$950,000 in combined HOME and CDBG funds and \$1,050,000 in NSP funds. It will mature 6 months after that for the MMRB First Mortgage Loan (32 years). The interest rate will be zero percent (0.00%) for the first two years, followed by 2.00% throughout the remaining term of the loan. Interest will be paid out of Available Cash Flow, payable quarterly on the first days of April, June, October and January of each year. The City of Pompano Beach combination HOME/CDBG/NSP Program Loan will close in Eighth Lien Position, which will advance to Sixth Lien Position upon retirement of the JPChase Construction LOC and the Construction Bridge Loan Bond Issue.

Note: The order of Subordinate Mortgage Liens (above) was provided by Applicant. The order is subject to change, however. Any change in Lien Position for the Subordinate Mortgages is immaterial to Seltzer's MMRB, RFP 2009-06 HOME and HC Recommendations.

Syndicated HC:

Applicant applied to FHFC to receive 4% HC directly from the United States Treasury in conjunction with its MMRB Tax-Exempt Financing. A HC calculation is contained in Exhibit 4 to this Credit Underwriting Report. Per its April 20, 2011, Syndication Letter, Stratford or an affiliate will purchase a 99.99% Limited Partnership Interest. The Limited Partnership will generate a Net Equity Contribution of \$11,192,000, as follows:

Capital Contributions	Amount	Percent of Total	When Due
1st Installment	\$1,679,000	15%	Prior to or simultaneous with Construction Loan Closing
2nd Installment	\$5,372,000	48%	Later of 75% Completion, 11 mo. after 1st Installment or July 1, 2012
3rd Installment	\$2,798,000	25%	Later of Construction Completion, C/O's, 9 months after 2nd Installment or April 1, 2013
4th Installment	\$755,000	7%	Later of Final Closing, Form(s) 8609, 3 months after 3rd Installment or July 1, 2013
5th Installment	\$588,000	5%	Later of Stabilization, 100% Occupancy with 12 month leases, 3 months after 4th Installment or January 1, 2014
Total	\$11,192,000	100%	

Annual Tax Credits per Syndication Agreement:	\$1,398,027
Total HC Syndication:	\$13,978,872
Syndication Percentage (Limited Partnership Interest):	99.99%
Calculated HC Syndication Rate (per dollar):	\$0.8006
Proceeds Available During Construction:	\$7,051,000

Deferred Developer Fee:

In order to balance the Sources and Uses of Funds after all Loan Proceeds and HC Equity have been received (and assuming the Hard Cost Contingency is expended during construction), Developer Fee of \$3,272,253 must be deferred during the Permanent Period.

Uses of Funds

	Applicant Total Costs	Applicant Revised Total Costs	Underwriter Total Costs	HC Ineligible Costs	HOME Ineligible Costs
Actual Construction Costs					
Construction Contract					
Site Work	\$0	\$4,488,000	\$4,488,000	\$0	\$0
New Rental Units	\$24,632,259	\$14,443,870	\$14,443,870	\$190,000	\$0
Recreation Building/Amenities	\$450,004	\$476,905	\$476,905	\$0	\$476,905
Payment and Performance Bonds	\$0	\$125,000	\$125,000	\$0	\$0
Contractor's Fee (Not to Exceed 14%)	\$3,511,517	\$2,717,225	\$2,717,225	\$0	\$66,767
Total Construction Contract	\$28,593,780	\$22,251,000	\$22,251,000	\$0	\$543,672
Other - Hard Cost Contingency	\$1,429,689	\$1,027,500	\$1,027,500	\$0	\$1,027,500
Total Actual Construction Costs	\$30,023,469	\$23,278,500	\$23,278,500	\$190,000	\$1,571,172

Notes to the Actual Construction Costs:

- Applicant provided SMG with a copy of an April 28, 2011, AIA Standard Form of Agreement between Owner and Contractor in the amount of \$22,251,000. The Construction Contract requires CSGConst to achieve Substantial Completion within 335 days (11 months). Retainage is 10% until the project is 50% complete, with none thereafter. The Construction Contract provides for compliance with Federal Labor Standards and Wage Determination Requirements pursuant to the Davis-Bacon Act as well as the Section 3 Clause.

HC Ineligible Costs reflect the cost of income-producing washers and dryers.
- General Contractor Fee consists of General Requirements, Overhead and Profit. At \$2,717,225, the General Contractor Fee meets FHFC Rule.
- The Hard Cost Contingency of \$1,027,500 is 4.62% of the Construction Contract Amount. SMG considers the Hard Cost Contingency to be adequate.
- SMG engaged CVision to perform a PCA for the Subject Development. See Section "C" of this Credit Underwriting Report for the results of CVision's PCA.

MMRB (NIBP), HOME AND HC CREDIT UNDERWRITING REPORT

SMG

	Applicant Total Costs	Applicant Revised Total Costs	Underwriter Total Costs	HC Ineligible Costs	HOME Ineligible Costs
General Development Costs					
Accounting Fees	\$35,000	\$40,000	\$40,000	\$0	\$0
Appraisal	\$7,500	\$10,000	\$10,000	\$0	\$0
Architect's Fee - Design	\$141,000	\$335,000	\$335,000	\$0	\$0
Architect's Fee - Supervision	\$75,000	\$12,000	\$12,000	\$0	\$0
Builder's Risk Insurance	\$360,000	\$198,000	\$198,000	\$79,200	\$0
Building Permit	\$360,000	\$660,000	\$660,000	\$0	\$0
Closing Costs - Construction Loan	\$75,000	\$0	\$0	\$0	\$0
Closing Costs - Permanent Loan	\$75,000	\$0	\$0	\$0	\$0
Engineering Fee	\$108,000	\$79,200	\$79,200	\$0	\$0
Environmental Report	\$3,000	\$3,000	\$3,000	\$0	\$0
Environmental Report (HUD NEPA)	\$0	\$0	\$7,837	\$0	\$0
FHFC Administrative Fee	\$142,550	\$112,500	\$117,151	\$117,151	\$0
FHFC Application Fees	\$4,500	\$6,000	\$5,000	\$5,000	\$5,000
FHFC Compliance Fee	\$155,921	\$0	\$0	\$0	\$0
FHFC Credit Underwriting Fees	\$13,695	\$14,700	\$21,992	\$0	\$0
Impact Fees	\$1,271,852	\$424,777	\$424,777	\$0	\$0
Inspection Fees	\$30,000	\$40,000	\$40,000	\$0	\$0
Legal Fees	\$125,000	\$125,000	\$125,000	\$100,000	\$0
Market Study	\$5,000	\$7,500	\$7,500	\$0	\$0
Marketing and Advertising	\$100,000	\$72,500	\$72,500	\$72,500	\$72,500
Pre-Construction Analysis	\$0	\$1,800	\$1,800	\$0	\$0
Property Taxes	\$100,000	\$100,000	\$100,000	\$40,000	\$0
Soil Test	\$12,000	\$12,000	\$12,000	\$0	\$0
Survey	\$35,000	\$35,000	\$35,000	\$0	\$0
Title and Recording Fees	\$100,000	\$150,000	\$150,000	\$105,000	\$0
Utility Connection Fees	\$720,000	\$168,620	\$168,620	\$0	\$0
Furniture, Fixtures and Equipment	\$85,000	\$85,000	\$85,000	\$0	\$0
Start-Up Costs (Operating Funds Advance)	\$0	\$67,500	\$67,500	\$67,500	\$67,500
Soft Cost Contingency	\$40,000	\$59,389	\$59,389	\$20,000	\$59,389
Total General Development Costs	\$4,180,018	\$2,819,486	\$2,838,266	\$606,351	\$204,389

Notes to the General Development Costs:

1. Applicant states the cost of Building Permits for Captiva Cove is \$2,500 per unit.
2. FHFC Administrative Fee is based upon 8.00% of Seltzer's recommended HC Allocation of \$1,464,392.
3. FHFC Application Fees represent \$3,000 for MMRB, \$1,500 for RFP 2009-06 Response (HOME) and \$500 for TEFRA.
4. FHFC Compliance Fee is paid as a component of the MMRB Program Loan interest rate.
5. FHFC Credit Underwriting Fees represent \$12,804 for Year 2010 MMRB, \$3,813 for (Multiple Program) 4% HC and \$3,813 for (Multiple Program) RFP 2009-06 Response (HOME) and \$1,562 for Subsidy Layering Review.

6. Applicant provided detail calculations to support its figures for Impact Fees and Utility Connection Fees.
7. Other General Development Costs are based upon Applicant's estimates, which appear reasonable.

	Applicant Total Costs	Applicant Revised Total Costs	Underwriter Total Costs	HC Ineligible Costs	HOME Ineligible Costs
Financial Costs					
Credit Enhancement/Cost of Issuance	\$400,000	\$540,000	\$540,000	\$327,000	\$0
Construction Loan Interest	\$1,591,000	\$1,809,000	\$1,809,000	\$542,700	\$0
Construction Loan/LOC Commitment Fee	\$270,000	\$205,000	\$205,000	\$0	\$0
Permanent Loan Commitment Fee	\$270,000	\$173,000	\$173,000	\$173,000	\$0
Operating Deficit Reserve	\$0	\$842,000	\$845,000	\$845,000	\$845,000
Total Financial Costs	\$2,531,000	\$3,569,000	\$3,572,000	\$1,887,700	\$845,000

Notes to the Financial Costs:

1. Applicant provided SMG a list of Credit Enhancement/Cost of Issuance Fees of \$540,000 not including Construction Loan/LOC and Permanent Loan Commitment Fees. Currently projected at \$269,355, FHFC Costs of Issuance are included. Applicant's list appears reasonable based upon its estimate of FHFC Costs of Issuance and based upon costs and fees quoted in the OGC and JPChase Credit Enhancement Term Letters.
2. Construction Loan Interest of \$1,809,000 is reflected in Applicant's proposed Draw Schedule. After reviewing Applicant's calculations, SMG utilizes its figure for underwriting purposes.
3. Construction Loan/LOC Commitment Fee per JPChase is based upon 1.00% of the \$20,500,000 in Tax-Exempt Bonds to be issued by FHFC.
4. Permanent Loan Commitment Fee per OGC is based upon 1.00% of the \$17,300,000 in NIBP and Market-Rate Bonds outstanding after Permanent Loan Conversion.
5. Stratford requires Applicant to fund an ODR in the amount of \$845,000.

	Applicant Total Costs	Applicant Revised Total Costs	Underwriter Total Costs	HC Ineligible Costs	HOME Ineligible Costs
Non-Land Acquisition Costs					
Building Acquisition Costs	\$0	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0	\$0
Total Non-Land Acquisition Costs	\$0	\$0	\$0	\$0	\$0

Notes to the Non-Land Acquisition Costs:

1. Since Captiva Cove is new construction, there are no Non-Land Acquisition Costs.

	Applicant Total Costs	Applicant Revised Total Costs	Underwriter Total Costs	HC Ineligible Costs	HOME Ineligible Costs
Development Cost Before Land & Developer Fee	\$36,734,487	\$29,666,986	\$29,688,766	\$2,684,051	\$2,620,561
Other Development Costs					
Developer Fee	\$5,877,517	\$5,188,000	\$5,179,727	\$0	\$0
Other	\$0	\$0	\$0	\$0	\$0
Total Other Development Costs	\$5,877,517	\$5,188,000	\$5,179,727	\$0	\$0

Notes to the Other Development Costs:

1. SMG limits Developer Fee to 18.00% of Development Costs exclusive of Land Acquisition, Developer Fee and Reserves.

	Applicant Total Costs	Applicant Revised Total Costs	Underwriter Total Costs	HC Ineligible Costs	HOME Ineligible Costs
Development Cost Before Land	\$42,612,004	\$34,854,986	\$34,868,493	\$2,684,051	\$2,620,561
Land Acquisition Costs					
Purchase Price	\$7,200,000	\$5,300,000	\$5,300,000	\$5,300,000	\$0
Other	\$0	\$0	\$0	\$0	\$0
Total Land Acquisition Costs	\$7,200,000	\$5,300,000	\$5,300,000	\$5,300,000	\$0

Notes to the Land Acquisition Costs:

1. Applicant submitted a Simple Form Purchase Agreement dated April 27, 2011, with Captiva Associates, L.L.C., seller, in the amount of \$5,300,000. Captiva Associates, L.L.C., is a related entity. The Closing Date is on or prior to November 30, 2011.
2. Integra appraised the Development Site at an "As-Is" value of \$6,600,000, which supports the Purchase Price.
3. Applicant provided SMG a copy of First American Title Insurance Company Commitment for Title Insurance No. 1062-2540881 dated April 28, 2011, proposing to insure FHFC in the amounts of \$20,500,000 (MMRB Program Loans) and \$5,000,000 (HOME Program Loan), Broward County in the amount of \$1,404,240 (SHIP and HOME Program Loans) and the City of Pompano Beach in the amount of \$2,000,000 (HOME/CDBG/NSP Program Loan).

	Applicant Total Costs	Applicant Revised Total Costs	Underwriter Total Costs	HC Ineligible Costs	HOME Ineligible Costs
Total Development Cost	\$49,812,004	\$40,154,986	\$40,168,493	\$7,984,051	\$2,620,561

Operating Pro forma

DESCRIPTION	ANNUAL	PER UNIT
Revenue		
Gross Potential Rental Revenue	\$2,788,764	\$10,564
Other Income:		
Washer/Dryer Rentals	\$94,080	\$356
Cable/Satellite Television Income	\$0	\$0
Miscellaneous Income	\$38,016	\$144
Interest Income	\$0	\$0
Gross Potential Income	\$2,920,860	\$11,064
Less:		
Vacancy Loss - 4.0%	(\$116,834)	(\$443)
Collection Loss - 1.0%	(\$29,209)	(\$111)
Total Effective Gross Revenue	\$2,774,817	\$10,511
Expenses		
Fixed:		
Taxes	\$290,400	\$1,100
Insurance	\$112,200	\$425
Variable:		
Management Fees - 5.0%	\$138,741	\$526
General and Administrative	\$99,000	\$375
Payroll Expenses	\$264,000	\$1,000
Utilities	\$224,400	\$850
Marketing and Advertising	\$33,000	\$125
Maintenance and Repairs	\$171,600	\$650
Grounds Maintenance and Landscaping	\$52,800	\$200
Replacement Reserve	\$79,200	\$300
Total Expenses	\$1,465,341	\$5,551
Net Operating Income	\$1,309,476	\$4,960
Debt Service Payments		
NIBP Tax-Exempt Bond Loan	\$869,793	\$3,295
Market-Rate Tax-Exempt Bond Loan	\$201,969	\$765
HOME Loan	\$50,000	\$189
Other Fees	\$0	\$0
Total Debt Service Payments	\$1,121,762	\$4,249
Operating Income After Debt Service - Before Tax Cash Flow	\$187,714	\$711

Debt Service Coverage Ratios		
Debt Service Coverage - NIBP Bond Loan		1.506
Debt Service Coverage - NIBP and Market-Rate Bond Loans		1.222
Debt Service Coverage - NIBP/Market-Rate Bond and HOME Loans		1.167
Debt Service Coverage - All Mortgages and Fees		1.167
Financial Ratios		
Operating Expense Ratio		52.8%
Break-Even Occupancy Ratio		88.6%

Notes to the Operating Pro forma and Ratios:

1. Florida Housing's MMRB Program does not impose Rent Restrictions, however Captiva Cove Apartments will receive HOME funding and HC (which will impose Rent Restrictions) in conjunction with the Tax-Exempt Bond Financing. The Rent Roll below compares Year 2010 Maximum HC Rents published by FHFC, less applicable Utility Allowances as required by the HC Program and applicable HOME Rents. Utility Allowances are from a schedule for the Broward County Housing Authority effective July 1, 2010. Management will pay for water/sewer service and trash removal for the residents of Captiva Cove Apartments. No Manager/Employee units are contemplated in the Rent Roll. Integra projects the Subject Development to achieve rents in this market below the Year 2010 Maximum. SMG underwrites Captiva Cove Apartments at the lesser of Maximum HC or HOME Rents, the Appraiser's projections or Management expectations.

HMFA/County: Fort Lauderdale / Broward

Bed-rooms	Baths	No. of Units	Unit Size (SF)	HOME Median Income	Gross HC Rents	Low HOME Rents	High HOME Rents	Utility Allowance	Max Net HC Rents	Applicant Rents	Underwriter Rents	Annual Rents
1	1	14	765	50%	\$743	\$743		\$58	\$685	\$644	\$644	\$108,192
1	1	58	765	60%	\$891		\$946	\$58	\$833	\$763	\$763	\$531,048
2	2	27	1,027	50%	\$891	\$891		\$68	\$823	\$775	\$775	\$251,100
2	2	105	1,027	60%	\$1,069		\$1,137	\$68	\$1,001	\$918	\$918	\$1,156,680
3	2	12	1,201	50%	\$1,030	\$1,030		\$75	\$955	\$899	\$899	\$129,456
3	2	48	1,201	60%	\$1,236		\$1,305	\$75	\$1,161	\$1,063	\$1,063	\$612,288
Totals		264	262,704									2,788,764

2. Applicant plans on renting Washers and Dryers to the residents of Captiva Cove Apartments. Washer/Dryer Rentals is based upon a penetration rate of approximately 85% (224 units) at \$35 per month, which appears reasonable and is supported by Integra's March 8, 2011, Appraisal.
3. Miscellaneous Income includes Application Fees, Cancellation Fees, Late Fees, Forfeitures, Vending and Other Income to total approximately \$144 per unit per year, which is supported by Restricted Rent Comparables.

4. Vacancy Loss (4.0%) and Collection Loss (1.0%) projections are supported by Integra.
5. An April 27, 2011, Management Agreement with CMS (a related entity) reflects a 5.0% Management Fee based upon Gross Collections, which Management Fee is typical for similar developments.
6. Replacement Reserves of \$300 per unit per year are reflected in OGC's Credit Enhancement Commitment. This amount exceeds the minimum requirement of \$250 per unit per year per MMRB Rule. Stratford requires annual adjustments based upon the Consumer Price Index ("CPI"). SMG underwrites the Subject Development using an annual adjustment of 3.00%. The HOME RFP requires an updated physical needs assessment every 3-5 years.
7. Other Operating Expense estimates are supported by the Integra Appraisal and/or Market Comparables.

Note: The estimated cost associated with Resident Programs committed in Applicant's MMRB Application are de minimis and are included in General and Administrative Expense. Many Resident Programs are provided without charge by local governmental or charitable organizations.

8. A 15-year Income and Expense Projection is attached to this Credit Underwriting Report as Exhibit 1.

SMG

Section B

MMRB (NIBP) and HOME Program Loan Conditions
HC Allocation Contingencies

JULY 7, 2011

MMRB (NIBP) and HOME Program Loan Conditions

Special Conditions

The Multifamily Mortgage Revenue Bond (“MMRB”) and Home Partnerships Investment Program (“HOME”) Loan Recommendations by Seltzer Management Group, Inc. (“SMG” or “Seltzer”) are contingent upon receipt and satisfactory review of the following items by SMG and Florida Housing Finance Corporation (“FHFC” or “Florida Housing”) at least 30 days prior to closing. Failure to receive approval of these items within this time frame may result in postponement of the Closing Date.

1. Closing of the following Subordinate Mortgage Loans prior to or simultaneous with closing of the Florida Housing MMRB and HOME Program loans:
 - a. Broward County State Housing Initiatives Partnership (“SHIP”) Loan of \$959,240.
 - b. Broward County HOME Program Loan of \$445,000.
 - c. City of Pompano Beach combined HOME/Community Development Block Grant (“CDBG”)/Neighborhood Stabilization Program (“NSP”) Loan in the amount of \$2,000,000.

Notes:

- a. If closing of a Subordinate Mortgage Loan(s) is delayed, Applicant must demonstrate there are sufficient funds available to complete construction of the Subject Development.
 - b. All Subordinate Mortgage Loans must mature at least 90 days beyond that of the MMRB Program Loan(s) per a requirement of the Federal Home Loan Mortgage Corporation (“Freddie Mac”) and Oak Grove Commercial Mortgage, L.L.C. (“OGC”), Grapevine, Texas, the Permanent Period Credit Enhancer.
2. Applicant to provide two Letters of Credit (“LOC’s”), as follows:
 - a. A LOC for \$1,112,550 (5.0% of the \$22,251,000 Construction Contract), to be held by FHFC or the Loan Servicer and released upon 100% Lien-Free Construction Completion and receipt of all Certificates of Occupancy.
 - b. A LOC for \$64,678 (5.0% of \$1,293,551, representing a combined six months of Operating Expenses and Debt Service), to be held by FHFC or the Loan Servicer and released upon Permanent Loan Conversion.
 3. An \$845,000 Operating Deficit Reserve (“ODR”) Account Agreement between Captiva Cove Associates, Ltd. (“Applicant” or “Borrower”), and Stratford Capital Group, L.L.C. (“Stratford”), Peabody Massachusetts, or its assigns, that includes the following provisions:
 - a. Prior approval of ODR disbursements by FHFC.
 - b. Upon expiration of the ODR, the balance in the ODR Account will be used to pay down FHFC-administered Loan Debt, if any, with the remaining amount deposited to the Replacement Reserve Account.

4. A review of the Building Plans by a qualified third-party professional satisfactory to FHFC and the Loan Servicer to ensure full compliance with all provisions of the Fair Housing Act and the Americans with Disabilities Act.

General Conditions

Seltzer's MMRB and HOME Program Loan Recommendations are contingent upon review and approval of the following items by SMG and Florida Housing at least 30 days prior to closing. Failure to receive approval of these items within this time frame may result in postponement of the Closing Date.

1. Borrower to comply with any and all recommendations noted in the Pre-Construction Analysis ("PCA") by Construvision, Inc. ("CVision"), Tampa, Florida.
2. Signed and sealed Survey, dated within 90 days of Loan Closing, unless otherwise approved by Florida Housing and its Legal Counsel, based upon the particular circumstances of the transaction. The Survey shall be certified to Florida Housing and its Legal Counsel, as well as the Title Insurance Company, and shall indicate the Legal Description, Exact Boundaries of the Subject Development, Easements, Utilities, Roads, Means of Access to Public Streets, Total Acreage, Flood Hazard Area and any other requirements of FHFC.
3. Building Permits and any other necessary Regulatory Approvals and Permits (e.g., Final Site Plan Approval, Water Management District, Florida Department of Environmental Protection, United States Army Corps of Engineers, Florida Department of Transportation, etc.). An acceptable alternative to this requirement is receipt and satisfactory review of a letter from the Local Permitting and Approval Authority stating that the Permits and Approvals will be issued upon receipt of Applicable Fees (with no other conditions) or evidence of 100% Lien-Free Completion, if applicable. If such a letter is provided, copies of all Permits and Approvals will be required as a condition of the first Post-Closing Draw.
4. Final "as permitted" (signed and sealed) Site Plan plus Building Plans and Specifications showing all features and amenities committed to in the application. The Geotechnical Report must be bound within the final Plans and Specifications.
5. Final Sources and Uses of Funds itemized by Source and Line Item, in a format and in amounts approved by the Servicer. A detailed calculation of the Construction Interest based upon the final Draw Schedule (see below), documentation of the Closing Costs and a Draft Loan Closing Statement must also be provided. The Sources and Uses of Funds schedule will be attached to the Loan Agreement as the approved Development Budget.
6. A Final Construction Draw Schedule showing itemized Sources and Uses of Funds for each Monthly Draw. MMRB Loan Proceeds shall be disbursed pro rata with other funding sources during the Construction Phase, unless otherwise approved by the Credit Underwriter. HOME Loan Proceeds shall be disbursed pro rata with other funding sources during the Construction Phase, unless otherwise approved by the Credit Underwriter. The Construction Draw must include appropriate Backup and ACH Wiring Instructions.

7. Evidence of General Liability, Flood (if applicable), Builders Risk and Replacement Cost Hazard Insurance as Certificates of Occupancy ("C/O's") are received, reflecting FHFC as Loss Payee/Mortgagee, with Coverages, Deductibles and Amounts satisfactory to FHFC.
8. If the Subject Development is not 100% lien-free completed, a 100% Payment and Performance ("P&P") Bond or a Letter of Credit ("LOC") in an amount not less than 25% of the Construction Contract is required in order to secure the Construction Contract between Applicant and the General Contractor. In either case, FHFC must be listed as Co-Obligee. The P&P Bond(s) must be from a company rated at least "A-" by A.M. Best & Co., with a Financial Size Category at least FSC VI. FHFC and/or its Legal Counsel must approve the Source, Amount(s) and all Terms of the P&P Bond(s) or LOC. If the LOC option is utilized, the LOC must contain "Evergreen" Language and be in a form satisfactory to the Servicer, FHFC and its Legal Counsel.
9. Architect, Construction Consultant and Borrower Certifications on forms provided by FHFC will be required for both Design and As-Built with respect to Section 504 of the Rehabilitation Act, the Americans with Disabilities Act ("ADA") and Federal Fair Housing requirements, as applicable.
10. Satisfactory resolution (as determined by FHFC) of any outstanding Past Due or Non-Compliance Notices applicable to the Development Team.

Seltzer's MMRB and HOME Program Loan Recommendations are contingent upon review and approval of the following items by Florida Housing and its Legal Counsel at least 30 days prior to closing. Failure to receive approval of these items, along with all other items listed on Legal Counsels Due Diligence list within this time frame may result in postponement of the Closing Date.

1. Documentation of the legal formation and current authority to transact business in Florida for the Borrower, the General Partner/Principal(s)/Manager(s) of the Borrower, the Guarantors and the Limited Partner(s) of the Borrower.
2. Signed and sealed Survey, dated within 90 days of Loan closing, unless otherwise approved by FHFC and its Legal Counsel based upon the particular circumstances of the transaction. The Survey shall be certified to FHFC and its Legal Counsel, as well as the Title Insurance Company, and shall indicate the Legal Description, Exact Boundaries of the Subject Development, Easements, Utilities, Roads, Means of Access to Public Streets, Total Acreage, Flood Hazard Area and any other requirements of FHFC.
3. An acceptable updated Environmental Audit Report, together with a Reliance Letter to Florida Housing, prepared within 90 days of Loan Closing, unless otherwise approved by Florida Housing and its Legal Counsel, based upon the particular circumstances of the transaction. Borrower to comply with any and all recommendations noted in the Environmental Assessment(s), Updates and the Environmental Review, as deemed appropriate by Florida Housing in its sole discretion.
4. Title Insurance Pro-Forma or Commitment for Title Insurance with copies of all Schedule B exceptions in the amount of the loan naming FHFC as the insured. All Endorsements required by FHFC shall be provided.

5. Florida Housing and its Legal Counsel shall review and approve all other lenders' Closing Documents and the Limited Partnership or other applicable agreement. Florida Housing shall be satisfied in its sole discretion that all Legal and Program Requirements for the MMRB and HOME Program Loans have been satisfied.
6. Evidence of General Liability, Flood (if applicable), Builders Risk and Replacement Cost Hazard Insurance as Certificates of Occupancy ("C/O's") are received, reflecting FHFC as Loss Payee/Mortgagee, with Coverages, Deductibles and Amounts satisfactory to FHFC.
7. Receipt of a Legal Opinion from the Borrower's Legal Counsel acceptable to Florida Housing addressing the following matters:
 - a. The legal existence and good standing of the Borrower, any Partnership or Limited Liability Company that is the General Partner of Borrower ("GP"), any Corporation, Partnership or Limited Liability Company that is the Managing General Partner of the GP and any Corporate Guarantor or any Manager or entity signing on behalf of any Corporate Guarantor;
 - b. Authorization, execution, and delivery by Borrower and Guarantors of all Loan Documents;
 - c. The Loan Documents being in full force and effect, and enforceable in accordance with their terms, subject to Bankruptcy and Equitable Principles only;
 - d. That Borrower's and the Guarantors' execution, delivery, and performance of the Loan Documents shall not result in a violation of, or conflict with any Judgments, Orders, Contracts, Mortgages, Security Agreements or Leases to which Borrower is a party, or to which the Subject Development is subject to Borrower's Partnership Agreement and;
 - e. Such other matters as FHFC or its Legal Counsel may require.
8. Evidence of compliance with local Concurrency Laws.
9. Such other Assignments, Affidavits, Certificates, Financial Statements, Closing Statements and other Documents as may be reasonably requested by FHFC or its Legal Counsel, in form and substance acceptable to FHFC or its Legal Counsel, in connection with the MMRB and HOME Program Loans.
10. Uniform Commercial Code ("UCC") Searches for Borrower and its Partnerships, as requested by FHFC and its Legal Counsel.
11. Any other reasonable conditions established by FHFC and its Legal Counsel.

Additional Conditions

Seltzer's MMRB and HOME Loan Recommendations are also contingent upon the following additional conditions:

1. Compliance with all applicable provisions of Section 42 of the Internal Revenue Code, as amended, United States Department of Housing and Urban Development ("HUD") Rule 24 CFR Part 92 and all related Federal Regulations, plus Sections 420.507 and 420.509, Florida Statutes, Rule Chapter 67-21, F.A.C. (MMRB Program Loan) Florida Statutes and

Administrative Rules, including but not limited to Rule Chapter 67-48, F.A.C., Rule Chapter 67-53, F.A.C., and RFP 2009-06.

2. Acceptance by the Borrower and execution of all documents evidencing and securing the MMRB and HOME Program Loans in form and substance satisfactory to Florida Housing, including but not limited to the Promissory Note(s), the Loan Agreement(s), the Mortgage and Security Agreement(s), the Compliance, Financial Monitoring and Servicing Agreement, the Land Use Restriction Agreement and the Extended Low Income Housing Agreement.
3. MMRB Program Loan: All amounts necessary to complete construction, with the exception of HOME Program funds (if available), must be deposited with the Bond Trustee prior to Loan Closing, or any phased pay-in of amount necessary to complete construction shall be contingent upon an Unconditional Obligation of the entity providing HC Equity payments (and evidence that 100% of such amount is on deposit with such entity at Loan Closing) to pay, regardless of any default under any documents relating to the HC as long as the MMRB First Mortgage Program Loan continues to be funded. Notwithstanding the foregoing, at least 50% of all HC Equity (but not less than that provided for in the Syndication Agreement or such higher amount as recommended by the Credit Underwriter) required to complete construction shall be deposited with the Bond Trustee at the MMRB Program Loan Closing. The Bridge Loan, if any, will close simultaneously or prior to the MMRB Program Loan, and sufficient amounts will be drawn from these funds at Loan Closing in order to satisfy this requirement.
4. HOME Program Loan: At all times there will be un-disbursed loan funds (collectively held by Florida Housing, the First Mortgage Lender and any other sources) sufficient to complete the Subject Development. If at any time there are not sufficient funds (held by Florida Housing, the First Mortgage Lender and any other sources) to complete the Subject Development, Borrower will be required to expend additional Equity on Development Costs or to deposit additional Equity with Florida Housing, which is sufficient (in Florida Housing's judgment) to complete the Subject Development before additional Loan Funds are disbursed. This condition specifically includes escrowing at Loan Closing all syndication and other Equity necessary to complete construction or another alternative acceptable to Florida Housing in its sole discretion.
5. Developer is only allowed to draw a maximum of 50% of the total Developer Fee during Construction/Rehabilitation, but in no case can it be more than the payable Developer Fee, which is determined to be "Developer's Overhead". No more than 35% of "Developer's Overhead" during Construction/Rehabilitation will be allowed to be disbursed at closing. The remainder of "Developer's Overhead" will be disbursed during Construction/Rehabilitation on a pro rata basis, based on the Percentage of Completion of the Subject Development, as approved and reviewed by FHFC and Servicer. The remaining unpaid Developer Fee shall be considered attributable to "Developer's Profit" and may not be funded until the Subject Development has achieved 100% Lien-Free Completion, and Retainage has been released.
6. If applicable, receipt and satisfactory review of Financial Statements from all Guarantors dated within 90 days of Loan Closing.
7. Guarantors to provide standard FHFC Construction Completion Guarantees, to be released upon Lien-Free Completion as approved by the Servicer.

8. MMRB Program Loan: Guarantors to provide standard FHFC Operating Deficit Guarantees, to be released upon achievement of an average 1.15 Debt Service Coverage (“DSC”) ratio on the MMRB First Mortgage Program Loan, 90% Occupancy and 90% of Gross Potential Rental Revenue, all for twelve (12) consecutive months certified by an independent Certified Public Accountant (“CPA”) and verified by the Loan Servicer.
9. HOME Program Loan: Guarantors to provide standard FHFC Operating Deficit Guarantees, to be released upon achievement of an average 1.15 DSC Ratio for a minimum of twelve (12) consecutive months on the combined MMRB First Mortgage and HOME Program Loans.
10. Guarantors to provide standard FHFC Environmental Indemnity Guarantees.
11. Guarantors to provide standard FHFC Guarantees of Recourse Obligations.
12. Closing of the MMRB First Mortgage Program Loan(s) simultaneous with closing of the FHFC HOME Program Loan.
13. A Mortgagee Title Insurance Policy naming FHFC as the insured, in the amount of the MMRB and HOME Program Loans is to be issued immediately after Loan Closing. Any exceptions to the Title Insurance Policy must be acceptable to FHFC and/or its Legal Counsel. All Endorsements required by FHFC are to be issued and the form of the Title Policy must be approved prior to Loan Closing.
14. Property Tax and Hazard Insurance Escrow(s) to be established and maintained by the First Mortgage Lender or the Servicer. In the event the Reserve Account(s) are held by Florida Housing’s Loan Servicing Agent, the release of funds shall be at Florida Housing’s sole discretion.
15. Replacement Reserves in the amount of \$300 per unit per year will be required to be deposited on a monthly basis into a designated Escrow Account, to be maintained by the First Mortgagee or Florida Housing’s Loan Servicing Agent per the requirements of OGC and Stratford. Applicant, however, has the option to prepay Replacement Reserves. It is currently estimated that Replacement Reserves will be funded in the amount of \$300 per unit per year for Years 1 and 2, followed by \$300 per unit per year beginning in Year 3. An inflation factor based upon the Consumer Price Index (“CPI”) will be applied to the Replacement Reserve deposit beginning in Year 10, unless waived or reduced in the event Obligor provides a Physical Needs Assessment prepared by an independent third party acceptable to FHFC that evidences an increase in the deposit is excessive or unnecessary. RFP 2009-06 for HOME Financing requires a Physical Needs Assessment every 3-5 years. Stratford requires annual adjustments based upon the CPI. SMG therefore underwrites the Subject Development using an annual adjustment of 3.00%.
16. CVision to act as Florida Housing’s inspector during the Construction Phase, if applicable.
17. A minimum of 10% Retainage Holdback will be required on all Construction Draws until the Subject Development is 50% complete and 0% thereafter. Retainage will not be released until successful Construction Completion and issuance of all Certificates of Occupancy. The April 28, 2011, Construction Contract between Applicant and CSG Construction, L.L.C., Hollywood, Florida, a related entity, provides for Retainage Holdback at 10% until the Subject Development is 50% complete and none thereafter, which meets FHFC Rule.

18. Completion of a Davis-Bacon Federal Labor Standards Pre-Construction Conference.
19. Satisfactory evidence of compliance with the Davis-Bacon Act and other applicable Federal Labor Standards during construction of the Subject Development. Evidence of compliance must be through satisfactory completion of a compliance audit by FHFC and its authorized subcontractor.
20. Receipt and satisfactory review of a Joint Funding Agreement between Applicant and Stratford (or an affiliate) that requires funding of all HC Equity Installments during construction, even if Borrower is in default under the Limited Partnership Agreement.
21. Any other reasonable requirement(s) of the FHFC, its Legal Counsel or its Servicer.

Housing Credit Allocation Recommendation

SMG recommends an Annual Housing Credit ("HC") Allocation in the amount of \$1,464,392 based upon Qualified Basis. Please see HC Allocation Calculation in Exhibit 4 of this Credit Underwriting Report for further details.

Contingencies

Seltzer's HC Allocation Recommendation is contingent upon confirmation or the receipt and satisfactory review of the following by SMG and FHFC by the deadline established in the Preliminary Determination. Failure to submit these items within this time frame may result in forfeiture of the HC Allocation.

1. Closing of the Florida Housing MMRB and HOME Program Loans consistent with the assumptions of this Credit Underwriting Report.
2. Purchase of the HC by Stratford or affiliated entity, under terms consistent with the assumptions within this Credit Underwriting Report.
3. Satisfactory resolution (as determined by FHFC) of any outstanding Past Due or Non-Compliance notices applicable to the Development Team by MMRB/HOME Loan Closing.
4. Any other reasonable requirements of FHFC, its Legal Counsel or its Loan Servicer.

Captiva Cove Apartments
RFP 2009-06-08/2010A-214B
Features/Amenities and Resident Programs

A. The Subject Development will consist of:

264 Units in 11 Residential Buildings

Unit Mix:

- | | | |
|------------------------|-------|--|
| Seventy-two | (72) | One-Bedroom/One-Bath units with 765 sq. ft., of heated and cooled living area; and |
| One hundred thirty-two | (132) | Two-Bedroom/Two-Bath units with 1,027 sq. ft., of heated and cooled living area; and |
| Sixty | (60) | Three-Bedroom/Two-Bath units with 1,201 sq. ft., of heated and cooled living area. |

264 Total Units

The Subject Development is to be constructed in accordance with the final plans and specifications approved by the appropriate city or county building or planning department or equivalent agency, and approved as reflected in the Pre-Construction Analysis prepared for Florida Housing or its Servicer, unless a change has been approved in writing by Florida Housing or its Servicer. The Subject Development will conform to requirements of local, state & federal laws, rules, regulations, ordinances, orders and codes, Federal Fair Housing Act and Americans with Disabilities Act ("ADA"), as applicable.

B. Each unit will be fully equipped with the following:

1. Air conditioning in all units (window units are not allowed; however, through-wall units are permissible for rehabilitation).
2. Window treatments for each window and glass door inside each unit.
3. Termite prevention and pest control throughout the entire affordability period.
4. Peephole on all exterior doors.
5. Exterior lighting in open and common areas.

6. Cable or satellite TV hook-up in all units.
 7. Full-size range, oven and refrigerator in all units.
 8. At least two full bathrooms in all 3 bedroom or larger new construction units.
 9. Bathtub with shower in at least one bathroom in at least 90% of the new construction non-Elderly units.
- C.** Applicant has committed to the following Amenities in the Subject Development:
1. Gated community with “carded” entry or security guard, or if 2 or more stories, “carded” secure entry to building.
 2. Marble window sills in all units.
 3. Steel exterior door frames for all units.
 4. At least 1.5 bathrooms (one full bath and one with at least a toilet and sink) in all 2-bedroom new construction units.
 5. Double compartment kitchen sink in all units.
 6. Dishwasher in all new construction units.
 7. Garbage disposal in all new construction units.
- D.** Applicant has committed to the following Amenities in the Subject Development:
1. Exercise room with appropriate equipment.
 2. Community center or clubhouse.
 3. Swimming pool.
 4. Playground/tot lot, accessible to children with disabilities (must be sized in proportion to the Subject Development’s size and expected resident population with age-appropriate equipment).
 5. Car care area (for car cleaning/washing).
 6. Computer lab on-site with minimum one computer per 50 units, with basic word processing, spreadsheets and assorted educational and entertainment software programs and at least one printer.
 7. Each unit wired for high speed internet.

8. Laundry hook-ups and space for full-size washer and dryer inside each unit.

F. Applicant has committed to provide the following energy conservation features for all buildings in the Subject Development:

1. Air conditioning with a minimum SEER rating of 15
2. Wall insulation of a minimum of R-7.
3. Attic insulation of R-30 or better.
4. All windows single-pane with shading coefficient of .67 or better.
5. Energy Star certified refrigerator and dishwasher in each unit.
6. Ceiling fans in all bedrooms and living area in each unit.

Additionally, Applicant has committed to provide the following Green Building options for the Subject Development:

- Programmable thermostats in each unit;
- Energy Star rated reversible ceiling fans in all bedrooms and living areas;
- Showerheads that use less than 2.5 gallons of water per minute;
- Toilets that have dual flush options which include 1.6 gallons of water or less;
- Energy Star qualified lighting in all open and common areas;
- Motion detectors on all outside lighting that is attached to the units;
- Low VOC paint (less than 50 grams per gallon) in all units and common areas;
- Energy Star rating for all refrigerators, dishwashers and washing machines that are provided by the Applicant;
- Carpet and Rug Institute Green Label certified carpet and pad for all carpeting provided; and
- Install daylight sensors or timers on all outdoor lighting.

G. Applicant has committed to provide the following Resident Programs:

1. Welfare to Work or Self-Sufficiency Type Programs – Applicant commits to actively seek residents who are participating in or who have successfully completed the training provided by these types of programs.
2. Financial Assistance with Purchase of a Home – Applicant commits to provide a financial incentive which includes the following provisions:

- The incentive must be applicable to the home selected by the resident and may not be restricted to or enhanced by the purchase of homes in which Applicant, Developer, or other related party has an interest;
 - The incentive must be not less than 5 percent of the rent for the resident's unit during the resident's entire occupancy (Note: Resident will receive the incentive for all months for which the resident is in compliance with the terms and conditions of the lease. Damages to the unit in excess of the security deposit will be deducted from the incentive.);
 - The benefit must be in the form of a gift or grant and may not be a loan of any nature;
 - The benefits of the incentive must accrue from the beginning of occupancy;
 - The vesting period can be no longer than 2 years of continuous residency; and
 - No fee, deposit or any other such charge can be levied against the resident as a condition of participation in this program.
3. First Time Homebuyer Seminars – Applicant or its Management Agent must arrange for and provide, at no cost to the resident, in conjunction with local realtors or lending institutions, semiannual on-site seminars for residents interested in becoming homeowners.
 4. Job Training – Applicant or its Management Agent must provide, at no cost to the resident, regularly scheduled classes in keyboarding, computer literacy, secretarial skills or other useful job skills, which will be provided at least once each quarter. If the training is not provided on-site, transportation at no cost to the resident must be provided.
 5. Health and Nutrition Classes – At least eight hours per year, provided on-site at no cost to the residents.
 6. Resident Activities – These specified activities are planned, arranged, provided and paid for by Applicant or its Management Agent. These activities must be an integral part of the management plan. Applicant must develop and execute a comprehensive plan of varied activities that brings the residents together and encourages community pride. The goal here is to foster a sense of community by bringing residents together on a regularly scheduled basis by providing activities such as holiday and special occasion parties, community picnics, newsletters, children's special functions, etc.
 7. Financial Counseling – This service must be provided by Applicant or its Management Agent, at no cost to the resident, and must include the following components: must be regularly scheduled at least once each quarter; must include tax preparation assistance by qualified professionals; must include educational workshops on such topics as "Learning to Budget", "Handling

- Personal Finances”, “Predatory Lending”, or “Comparison Shopping for the Consumer”. Electronic media, if used, must be used in conjunction with live instruction.
8. Resident Assistance Referral Program – Applicant or its Management Agent will make available to residents information about services such as crises intervention, individual and family needs assessment, problem solving and planning, appropriate information and referral to community resources and services based on need, monitoring of ongoing ability to retain self sufficiency, and advocacy to assist clients in securing needed resources. This service must be provided at no cost to the resident. Electronic media, if used, must be in conjunction with live instruction.

COMPLETENESS AND ISSUES CHECKLIST

DEVELOPMENT NAME: Captiva Cove Apartments

DATE: July 7, 2011

In accordance with applicable Program Rule(s), the Applicant is required to submit the information required to evaluate, complete, and determine its sufficiency in satisfying the requirements for Credit Underwriting to the Credit Underwriter in accordance with the schedule established by the Florida Housing Finance Corporation ("Florida Housing" or "FHFC"). The following items must be satisfactorily addressed. "Satisfactorily" means that the Credit Underwriter has received assurances from third parties unrelated to the Applicant that the transaction can close within the allotted time frame. Unsatisfactory items, if any, are noted below and in the "Issues and Concerns" section of the Executive Summary.

CREDIT UNDERWRITING REQUIRED ITEMS:	STATUS	NOTE
	Satis. / Unsatis.	
1. The development's final "as submitted for permitting" plans and specifications. Note: Final "signed, sealed, and approved for construction" plans and specifications will be required thirty days before closing.	Satis.	
2. Final site plan and/or status of site plan approval.	Satis.	
3. Permit Status.	Satis.	
4. Pre-construction analysis ("PCA").	Satis.	
5. Survey.	Satis.	
6. Complete, thorough soil test reports.	Satis.	
7. Full or self-contained appraisal as defined by the Uniform Standards of Professional Appraisal Practice.	Satis.	
8. Market Study separate from the Appraisal.	Satis.	
9. Environmental Site Assessment – Phase I and/or Phase II if applicable (If Phase I and/or II disclosed environmental problems requiring remediation, a plan, including time frame and cost, for the remediation is required). If the report is not dated within one year of the application date, an update from the assessor must be provided indicating the current environmental status.	Satis.	
10. Audited financial statements for the most recent fiscal year ended or acceptable alternative as stated in the Rule for credit enhancers, applicant, general partner, principals, guarantors and general contractor.	Satis.	

MMRB (NIBP), HOME AND HC CREDIT UNDERWRITING REPORT

SMG

11. Resumes and experience of applicant, general contractor and management agent.	Satis.	
12. Credit authorizations; verifications of deposits and mortgage loans.	Satis.	
13. Management Agreement and Management Plan.	Satis.	
14. Firm commitment from the credit enhancer or private placement purchaser, if any.	Satis.	
15. Firm commitment letter from the syndicator, if any.	Satis.	
16. Firm commitment letter(s) for any other financing sources.	Satis.	
17. Updated sources and uses of funds.	Satis.	
18. Draft construction draw schedule showing sources of funds during each month of the construction and lease-up period.	Satis.	
19. Fifteen-year income, expense, and occupancy projection.	Satis.	
20. Executed general construction contract with "not to exceed" costs.	Satis.	
21. HC ONLY: 15% of the total equity to be provided prior to or simultaneously with the closing of the construction financing.	Satis.	
22. Any additional items required by the credit underwriter.	Satis.	

NOTES AND APPLICANT'S RESPONSES:

None

HC Allocation Calculation

Section I: Qualified Basis Calculation	
Development Cost	\$40,168,493
Less Land Cost	(\$5,300,000)
Less Federal Funds	\$0
Less Other Ineligible Cost	(\$2,684,051)
Less Disproportionate Standard	\$0
Total Qualified Basis	\$32,184,442
Applicable Fraction	100.00%
DDA/QCT Basis Credit	130.00%
Qualified Basis	\$41,839,775
Housing Credit Percentage	3.50%
Annual HC Allocation	\$1,464,392

Notes to the Qualified Basis Calculation:

1. Other Ineligible Costs consist primarily of FHFC Administrative and Application Fees, Marketing/Advertising, Soft Cost Contingency, Start Up Costs/Operating Funds Advance, the Operating Deficit Reserve required by the HC Syndicator, and portions of Builders Risk Insurance, Property Taxes, Legal Fees, Title and Recording Fees, Costs of Issuance, Permanent Loan Origination Fee, Construction Loan Interest and Operating Deficit Reserve. See the HC Ineligible Costs column of the Uses of Funds schedule within Section A of this Credit Underwriting Report.
2. The Subject Development has a 100% Set-Aside; the Applicable Fraction is therefore 100.00%.
3. This Subject Development is located in Census Tract 308.01 within Broward County, a Qualified Census Tract ("QCT"). The 130% QCT/DDA Basis Credit has therefore been applied.
4. Per FHFC Rule, 15 basis points are added to the actual percentage (3.35%) reported for April 2010, consistent with an April 2010 Invitation to Credit Underwriting (at the Developer's risk) for MMRB and 4% HC. An HC Percentage of 3.50% is applied.

Section II: Gap Calculation	
Total Development Cost (Including Land and Ineligible Costs)	\$40,168,493
Less Mortgages/Loans	(\$25,704,240)
Less Grants	\$0
Equity Gap	\$14,464,253
Percentage to Investment Entity	99.99%
HC Pricing	\$0.8006
HC Required to Meet Gap	\$18,068,573
Annual HC Required	\$1,806,857

Notes to the Gap Calculation:

1. Mortgages/Loans are Florida Housing's \$14,200,000 NIBP and \$3,100,000 Market-Rate Tax-Exempt Bond Issues, the \$5,000,000 FHFC HOME Program Loan, Broward County's \$959,240 SHIP and \$445,000 HOME Program Loans and the \$2,000,000 City of Pompano Beach combination HOME/CDBG and NSP Program Loan.
2. HC Syndication Pricing and Percentage to Investment Partnership are based upon a May 9, 2011 Term Letter from Stratford Capital Group, Peabody, Massachusetts. See Permanent Financing Sources in Section A of this Credit Underwriting Report.

Section III: Tax-Exempt Bond 50% Test	
Total Depreciable Cost	\$32,184,442
Plus Land Cost	\$5,300,000
Aggregate Basis	\$37,484,442
Tax-Exempt Bond Amount	\$20,500,000
Less Debt Service Reserve	(\$845,000)
Less Proceeds Used for Costs of Issuance	\$0
Plus Tax-Exempt GIC Earnings	\$0
Tax-Exempt Proceeds Used for Building and Land	\$19,655,000
Proceeds Divided by Aggregate Basis	52.44%

Notes to 50% Test:

1. SMG estimates Florida Housing's Tax-Exempt MMRB Program Loan(s) to be 52.44% of Depreciable Development Cost plus Land Acquisition Cost. If, at the time of Final Cost Certification, the Tax-Exempt Bond Amount(s) totals less than 50.00%, Developer Fee will

have to be reduced by an amount to ensure compliance with the 50% Test. That may, in turn, result in a reduction to HC Equity.

Section V: Summary	
HC per Applicant Request	\$1,398,027
HC per Qualified Basis	\$1,464,392
HC per Gap Calculation	\$1,806,857
Preliminary Annual HC Recommended	\$1,464,392

Notes to the Summary:

1. Seltzer's Annual HC Recommendation is limited by the Qualified Basis Calculation.