SELTZER MANAGEMENT GROUP, INC.

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February 16, 2012

Ms. Laura Cox
Director of Asset Management and Guarantee Program
Mr. Kevin Tatreau
Director of Multifamily Development Programs
Florida Housing Finance Corporation
City Centre Building
227 North Bronough Street, Suite 5000
Tallahassee, Florida 32301-1329

Re: RFP 2011-05-01for Extremely Low Income ("ELI") Households – Spring Harbor: RFP 2010-16-04 SAIL ELI/MMRB 1999 Series C1 & C2/GUAR/HC 2000-502C/SMI-31

Dear Ms. Cox and Mr. Tatreau:

The Applicant, Spring Harbor, Ltd., of the above referenced transaction submitted a proposal for RFP 2011-05 (the "RFP"). For consideration for funding available under the RFP, the subject development must have a mortgage note guaranteed by the Florida Housing Finance Corporation's ("FHFC" or "Florida Housing") Guarantee Program which closed prior to September 30, 2003 and the Applicant commits to provide additional ELI Set-Aside units. Rankings were determined by Priorities outlined in the RFP. Based on criteria (primarily economic occupancy and debt service coverage) established by the RFP, the development is eligible to set-aside a number of units to ELI households. In turn, the development is eligible for State Apartment Incentive Loan ("SAIL") ELI funding depending upon various Area Median Income ("AMI") levels and length of set aside term commitments. Spring Harbor's commitments make it eligible for SAIL ELI funding equal to $75,000 for each New ELI unit converted from a unit equal to or greater than 60% of the AMI for a 15 year term. Funds received under the RFP must first be used to reduce the unpaid principal balance of the first mortgage note guaranteed by the Guarantee Program and then (if applicable), any Subordinate Mortgage Initiative ("SMI") funding.

At Florida Housing's December 9, 2011, Board of Directors Meeting, the subject transaction received a preliminary commitment of $1,875,000 of SAIL ELI funding, subject to credit underwriting and the SAIL Program requirements of Rule Chapter 67-48, Florida Administrative Code. The transaction has been assigned to Seltzer Management Group, Inc. ("SMG" or "Seltzer") for review and recommendation.

The SAIL ELI loan will be non-amortizing with a zero percent interest rate and a term of 15-years. The principal balance will be forgiven at maturity provided the ELI set-asides have been maintained for the 15-year term. At the conclusion of the 15-year term the ELI units will revert back to the set-asides committed to in the original LURA and/or EUA.

The subject is a 248 unit, FHFC bond financed development located in Mt. Dora, Lake County, Florida. The Bonds were issued in two series (Housing Revenue Bonds 1999 Series C-1 - $9,899,570, and Taxable Housing Revenue Bonds 1999 Series C-2 - $2,850,000) by FHFC totaling $12,749,570. Proceeds from the sale of the Bonds funded a first mortgage note in the same amount. The note is guaranteed by the Guarantee Program with no HUD risk-sharing, Priority 1. The December 31, 2011 balance is $10,160,375.

The Applicant has two Housing Credit ("HC") equity investor limited partners, Alliant Tax Fund XII, Ltd. and Alliant Tax Credit XII, LLC. The Applicant received capital contributions totaling $8,814,040. The Applicant also received SMI funds totaling $478,484, $418,828 of which has been drawn to date. The Applicant also received and closed on March 28, 2011 a $975,000 SAIL ELI loan under RFP 2010-16. In addition, an affiliate(s) of the general partner, a Wendover affiliated entity(s), has funded operating deficits in excess of $1,056,626.

Average economic occupancy for the four month period of May 2011 through August 2011 for the subject was reportedly 80%. Debt Service Coverage for the year ended December 31, 2010, was calculated at 0.54 to 1.00 not including replacement reserves. The Applicant has committed to set-aside 10% of the total units or 25 units as New ELI units at 33% of AMI. When added to the 2010 SAIL ELI commitment of 5% of total units or 13 units at 33% of AMI, the total of ELI units (38 units) does not exceed the 25% maximum outlined in the 2011 RFP. In addition, the Applicant committed to set-aside 50% of the New ELI units (13 units) for Special Needs Households which is at least 50% of the New ELI units but does not exceed the maximum allowed of 10% of the Development's total units per the 2011 RFP.

As of December 31, 2011, there are approximately ten vacant units at the subject. It is assumed that the New ELI units will be 100% occupied and therefore result in an overall physical occupancy approaching 100%. However, for underwriting purposes, Seltzer has assumed a physical occupancy of 95%. The pro forma rent roll and Net Operating Income ("NOI") schedules are presented in Exhibits A and B, respectively. Setting aside the New ELI units is anticipated to decrease rental income; however, improved occupancy will result in less vacancy loss which will have an overall positive impact to rental income. Assuming that operating expenses remain at historical levels, NOI is anticipated to slightly increase. After restructuring the first mortgage debt, net cash flow is expected to increase.

Assuming approval, the SAIL ELI loan funds will be disbursed and deposited with the Trustee. The funds will either be utilized as "gap" financing to re-finance the existing first mortgage or to pay-down the existing first mortgage.

A re-financing pro forma (Exhibit C) indicates the existing first mortgage will be replaced with a new first mortgage of $8,200,000, through Oak Grove Capital and its Fannie Mae Multifamily Affordable Housing DUS Loan program, and assumes the re-payment of the SMI loan in full. Terms include a ten year term monthly principal and interest payments estimated at $481,193 based on a 4.20% rate and a 30-year amortization period. The rate is an estimate based on the 10-year U.S. Treasury rate as of February 9, 2012 plus an investor spread to be fixed for the 10-year loan term. The permanent rate is subject to change based on interest rate market conditions. The final approved loan amount is subject to appraisal and is limited to 75% of the "as-is Value" of

the subject property. Annual debt service is calculated at $481,193 which reflects a reduction from the estimated annual debt service amount of $345,941 . Under this scenario, the Guarantee Program's credit exposure will be eliminated.

Alternatively, these funds will be utilized to reduce the amount of outstanding bonds, and accordingly, the first mortgage principal amount. Assuming a first mortgage pay-down and re-amortization over the remaining loan term, annual debt service is anticipated to decrease by approximately $110,548. Under this scenario the Guarantee Program's credit exposure will be reduced.

It should be noted that the Applicant chose to allocate the $975,000 in funds received under RFP 2010-16 to the pre-payment of bond loan principal payments through February 1, 2014. As a result of this pre-payment the debt service amount was effectively reduced to $578,436 representing bond loan interest and related fees only. Prudent credit underwriting practice dictates that in order to make a true comparison of payments under both the refinancing and bond reduction scenarios the monthly bond loan payment must be based on principal, interest, and related fees. Therefore, the estimated debt service amount of $827,134 includes principal, interest, and related fees as of March 1, 2014 and is based on Trustee prepared payment estimation.

Please note that the actual structure and terms for either scenario have not been finalized at this time. The most optimal structure and terms will be based on market conditions at the time of the re-financing or existing mortgage pay down. It is not the intent of this analysis to mandate a financing structure under either scenario but to validate the most probable benefits of either scenario.

It is Seltzer's opinion that there is sufficient demand for the ELI units which will increase occupancy and help stabilize the property. The increased occupancy will result in increased rental revenue and NOI. The utilization of the SAIL ELI funds under either scenario will result in a reduced debt burden and improve cash flow which will further stabilize the property. Further, under either scenario the Guaranteed Program's credit exposure will be eliminated or greatly reduced. Accordingly, SMG recommends that the SAIL funds in the amount of $1,875,000 be awarded to the Applicant, subject to the following:

1. Execution of SAIL ELI Loan Agreement reflecting the ELI set-asides with at least 50 percent of the new ELI units but not more than 10% of the Development's total units for Special Needs Households that are referred by at least one Special Needs Households Referral Agency(s), recognized by Florida Housing, in the Development's county, for a period of 15 years.
2. Execution of a SAIL ELI Loan Agreement reflecting a requirement that the Development must have an executed Memorandum of Understanding ("MOU") for Special Needs Housing Services, approved by Florida Housing, with each Special Needs Household Referral Agency that refers Special Needs Households to set aside ELI units.
3. Execution of a SAIL ELI Loan Agreement reflecting a commitment to register all of the Developments within the Applicant's portfolio on the FHFC Locator at

www.floridahousingsearch.org on a continuing basis for the remainder of the applicable extended use period(s).

4. Consent of the HC Equity Provider and Subordinate Lender(s), where applicable.
5. Evidence that re-financing or reduction of the existing first mortgage is acceptable under the bond documents and any fees associated with such are payable by the Applicant.
6. Confirmation that the final re-financing eliminates the credit exposure to the Guarantee Program or existing mortgage pay down improves overall cash flow, reduces the overall credit exposure to the Guarantee Program, and, to the extent possible, fully or partially repays any outstanding SMI funds (if applicable).
7. Satisfactory resolution of any outstanding past due and non-compliance items.
8. Payment of any outstanding arrearages to the Corporation, its legal counsel, Servicer or any agent or assignee of the Corporation for past due issues applicable to the development team (Applicant or Developer or Principal, Affiliate or Financial Beneficiary, as described in 67-48.0075 (5) F.A.C., of an Applicant or a Developer); and
9. All other due diligence required by FHFC and its legal counsel.

Please let us know if you have any questions or if we can be of any further assistance.

Sincerely,

SELTZER MANAGEMENT GROUP, INC.

Richard Crogan
Credit Underwriter

Exhibit A

Spring Harbor - Pro Forma Rent Roll

Orlando-Kissimmee-Sanford MSA (Lake/Orange/Osceola/Seminole County) HERA Special Limits

Bed-rooms	Baths	No. of Units	Unit Size (SF)	Median Income	Max Gross HC Rents	Utility Allow-ance	Max Net HC Rents	Achievable Rents	Annual Rents
1	1	6	811	33%	$379	$69	$310	$310	$22,320
1	1	35	811	60%	$690	$69	$621	$550	$231,000
2	2	18	1,080	33%	$455	$92	$363	$363	$78,408
2	2	94	1,080	60%	$828	$92	$736	$650	$733,200
3	2	14	1,244	33%	$526	$106	$420	$420	$70,560
3	2	81	1,244	60%	$957	$106	$851	$735	$714,420
Totals		**248**	**272,391**						**$1,849,908**

Rental Achievement - 60% units - 94% of max. (average), 33% units - 100% of max.

Physical Occupancy - 95%

Exhibit B

Spring Harbor – Comparative NOI Calculations

DESCRIPTION	Per 2010 Audited F.S.	Per 12/31/11 Unaudited F.S.	Pro Forma
Revenue			
Gross Potential Rental Revenue	$2,024,470	$2,246,645	$1,849,908
Other Income:			
Washer/Dryer Rentals	$0	$920	$1,000
Cable Television Income	$0	$0	$0
Miscellaneous Income	$94,097	$83,493	$85,163
Interest Income	$40,373	$65,331	$0
Gross Potential Income	$2,158,940	$2,396,389	$1,936,071
Less:			
Vacancy Loss -	($139,594)	($509,556)	($96,804)
Collection Loss -	($292,439)	($94,872)	($19,361)
Total Effective Gross Revenue	$1,726,907	$1,791,961	$1,819,907
Expenses			
Fixed:			
Taxes	$103,353	$105,962	$105,000
Insurance	$51,098	$53,044	$54,000
Variable:			
Management Fees	$68,248	$94,341	$90,995
General and Administrative	$89,130	$84,281	$62,235
Payroll Expenses	$302,008	$269,893	$250,000
Utilities	$219,353	$217,532	$225,000
Marketing and Advertising	$14,267	$19,711	$17,500
Maintenance and Repairs	$209,442	$123,667	$125,000
Grounds Maintenance	$34,884	$17,207	$20,300
Contract Services	$0	$0	$0
Replacement Reserve	$49,600	$49,600	$74,400
Other: Resident Programs	$0	$0	$0
Total Expenses	$1,141,383	$1,035,238	$1,024,430
Net Operating Income	$585,524	$756,723	$795,476

Exhibit C

Spring Harbor – Re-Financing Pro Forma

First Mortgage - Existing		
Loan Amount		10,160,375
Interest Rate		7.50%
Amortization Period		40
P&I		803,444
Fees		177,239
Total Payment		980,683
Annual Debt Service		980,683
Origination Date		1,999
Current Loan Balance		$10,160,375
Current Debt Service		$578,436
Estimated Debt Service		$827,134
Sources		
New First	$	8,200,000
2011 SAIL ELI	$	1,875,000
Debt Servce Reserve	$	713,859
Borrower Contribution	$	50,000
Total Sources	$	10,838,859
Uses		
Existing First	$	10,160,375
Closing Costs	$	200,000
SMI	$	478,484
	$	10,838,859
First Mortgage - Proposed		
Loan Amount		$8,200,000
Interest Rate		4.20%
Amortization Period		30
P&I		$40,099
Fees		$0
Total Payment		$40,099
Annual Debt Service		$481,193
First Mortgage - Paydown Existing		
Current Balance		$10,160,375
SMI Loan		$0
SAIL ELI #2		($1,875,000)
Paydown Balance		$8,285,375
Interest Rate		7.50%
Remaining Term		27.00
Annual Debt Service		$716,586