

SELTZER MANAGEMENT GROUP, INC.

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January 17, 2013

VIA EMAIL

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

Re: Huntington Reserve (Rosecliff)
 MMRB-2006 Series C/ SAIL 90S-003/ 9% HC 90L-041/ 4% HC 2006-503C
 Transfer of General Partner Interest / Change in Management Company

Dear Mr. Fowler:

On your behalf, Seltzer Management Group, Inc. ("SMG" or "Seltzer") has reviewed a request from Centerline Capital Group as owner of the General Partner interest of the Borrower/Partnership, Huntington Reserve Associates, Ltd., for the Florida Housing Finance Corporation ("FHFC" or "Florida Housing") to consent to the transfer of the general partner interest of Huntington Reserve Associates, Ltd., (the "GP") to The Partnership, Inc. (the "Replacement GP" or "TPI"). Specifically, SMG has been requested to determine that the Replacement GP has the prerequisite financial strength and experience to successfully own and operate the subject. Centerline is also requesting a change in the managing agent to TPI from the current agent, Ledic Management Group.

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

1. Correspondence dated January 4, 2012 from the Centerline Capital Group as owner of the GP requesting Florida Housing's consent to replace the GP and the Management Company.
2. Rule 67-48, F.A.C. and 67-21, F.A.C.
3. Credit Underwriting Reports
4. Florida Secretary of State Records
5. FHFC Occupancy Reports
6. Huntington Reserve Associates, Ltd. December 31, 2011 Audited Financial Statement
7. Compliance Management Review files
8. FHFC Past Due Report dated November 6, 2012
9. FHFC Non-Compliance Report dated November 2, 2012
10. Corporate resume, January 10, 2013 unaudited financial statement certified as true and correct, and September 30 FYE 2011 tax returns for TPI

In addition, SMG has had various conversations with FHFC staff and the Borrower's representative concerning the GP ownership change.

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Our findings are as follows:

Background

- Huntington Reserve is located at 2000 Rosecliff Circle within Seminole County in Sanford, Florida. The subject consists entirely of three bedroom apartments located in 14 three-story buildings with 168 units.
- Huntington Reserve Associates, Ltd. was originally formed in August 2005. Huntington Reserve Management, LLC, the ("Original GP") with a 0.01% ownership interest, was an entity owned by Enhanced Affordable Development Company, LLC ("EADC") and key principals David Rubin and Mark Gelman.
- In December 2009, EADC defaulted on the first mortgage for non-payment. In June 2010, Centerline assumed the GP interest on account of the Original GP's failure to meet its guaranty obligations. In June 2010, 2000 Rosecliff Circles, LLC (a Centerline controlled entity) assumed the GP interest in the subject on account of the Original GP's failure to meet its guaranty obligations. Since June 2010, the limited partnership has advanced \$930,863 to the Partnership to address operating deficits and bring the FHFC issued bonds current in 2010. The current 99.98% limited partner is and will remain Centerline Credit Enhanced Partners, LP – Series G (formerly named CharterMac Credit Enhanced Partners, LP – Series G). The current 0.01% is CharterMac Credit Enhanced SLP, LLC – Series G ("CCEP-G").
- Centerline is a subsidiary of Centerline Holding Company and provides real estate financing and asset management services, focused on affordable and conventional multifamily housing. Centerline has raised more than \$10 billion of equity across 136 funds and has invested in more than 1,300 assets in 47 states, Washington DC and Puerto Rico. The multifamily lending platform services more than \$11.5 billion of mortgage loans. Its 2012 3rd Quarter Form 10-Q and accompanying Financial Statements reflect assets of \$4,296,279, liabilities of \$1,787,714 less redeemable securities of \$0, resulting in equity of \$2,508,565.
- The development was financed by \$6,515,000 of tax-exempt bonds issued by FHFC and \$4,369,000 of LIHTC equity. Freddie Mac is the majority bondholder of the First Mortgage. In addition, the Partnership is financed by a \$2,106,000 SAIL Loan from FHFC, which requires \$91,068 in annual principal and interest payments. The Partnership is current on its First Mortgage and SAIL Loan.
- Operation of the subject is restricted by terms and conditions detailed in various loan documents, including but not limited to the Land Use Restriction Agreement(s) and Extended Use Agreement. Set asides for FHFC bonds are 85% of units (143 units) for residents earning 60% or less of the area median income ("AMI") for 50 years. Set asides for SAIL are as follows: 100% of the units for residents earning 60% or less of AMI. The set aside term is 50 years. The HC set asides are 100% of units for residents earning 60% or less of AMI for a set aside term of 30 years.
- According to FHFC's October 2012 Occupancy Report Huntington Reserve reported occupancy of 93.45%.
- Borrower's Audited Financial Statements as of December 31, 2011, reflect a going concern issue. The Partnership has suffered significant operating losses in recent years. This factor raises substantial doubt about the Partnership's ability to continue as a going concern. Management is taking measures to increase occupancy and reduce operating expenses. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Cash Flows reflect a net loss for 2011. Assets are less than liabilities resulting in a partner's deficit.
- The most recent Compliance Management Review for Huntington Reserve was performed by the Servicer on May 10, 2012 and all noted issues were satisfactorily corrected per a close-out letter issued August 30, 2012.

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- FHFC Past Due Report dated November 6, 2012 did not indicate any past due items for the borrower.
- FHFC Non-Compliance Report dated November 2, 2012 lists no non-compliance items for the borrower.

GP Transfer

- TPI is a Florida Not-for-Profit corporation registered with the State of Florida in April 1996. An Annual Report was filed evidencing good standing through 2012. John Corbett is its President, Secretary, Treasurer and Director. Additional Directors are Robert O'Brien, Jr. and Jack Davis.
- A resume for TPI shows it was formed in 1994 to acquire and manage affordable multifamily properties. TPI currently is owner and/or manager of ten properties (3 elderly, 7 family) totaling 1,828 units, all located in Florida. Seven of these properties were funded through the sale of Low Income Housing Credits. TPI was a FHFC-approved management company until the recent death of its Real Estate Broker thereby no longer meeting the requirements of the Landlord and Tenant Act under Chapter 475, Florida Statutes. An alternate Broker is expected to be secured very soon.
- Review of the January 10, 2013 unaudited financial statement for TPI indicates January 10, 2013 net equity of approximately \$3.7 million which is consistent with previous years and positive cash flow. Checking account and investment account statements were submitted to evidence cash and equivalents including marketable securities totaling in the low seven figures.
- A Statement of Financial/Credit Affairs dated January 15, 2013 submitted by TPI reflects a reorganizational bankruptcy filed in October 2011 and settled in January 2012 for Pelican Isles and the loan is current, a Forbearance Agreement entered into in September 2011 for Lewis Place at Ironwood, an active loan renegotiation based on reduced payments on Ybor III, Ltd. and Ochlocknee Pointe Apartments, and ongoing operating deficits at Mangonia Residences. However, TPI asserts that their mission is assisting troubled affordable housing and that TPI was not the GP or Manager of any of the properties when the underlying cause(s) of their financial difficulties occurred. Further, TPI's involvement with these properties (with the exception of Mangonia Residences) is a result of their association with Centerline Capital Group in 2010. The Statement also reflects TPI is the guarantor for standard Fannie Mae carve-out liabilities related to the refinancing of Sunset Bay Apartments in August 2012.
- FHFC Past Due Report dated November 6, 2012 did not indicate any past due items for TPI.
- FHFC Non-Compliance Report dated November 2, 2012 lists no non-compliance items for TPI.

Summary and Recommendation

Seltzer's review indicates that the Replacement GP through its affiliated entities has the prerequisite financial strength and experience to successfully own and operate the subject.

Therefore, SMG recommends that FHFC consent to and approve the transfer of the general partner interest to the Replacement GP, as well as approve the change in the managing agent to TPI, from the current agent, Ledic Management Group, subject to the following:

- TPI providing evidence of an alternate Real Estate Broker's license to satisfy the requirements of the Landlord and Tenant Act under Chapter 475, Florida Statutes, along with confirmation that TPI is again a FHFC-approved management company
- The Replacement GP and the GP as well as the withdrawing entities to execute any assignment and assumption documents FHFC deems necessary to effectuate the general partnership change including, but not limited to, Operating Deficit Guaranty, Environmental Indemnity, Guaranty of Recourse Obligations, and other existing guarantees
- Review and approval of all loan documents by Florida Housing and its legal counsel

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- 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)
- Satisfactory resolution of any non-compliance or past due items
- Any other requirement of FHFC, its legal counsel and servicer

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

Sincerely,

SELTZER MANAGEMENT GROUP, INC.

A handwritten signature in black ink that reads "Cindy Highsmith". The signature is written in a cursive, flowing style.

Cindy Highsmith
Credit Underwriting Manager