

**SELTZER MANAGEMENT GROUP, INC.**

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September 2, 2014

*VIA EMAIL*

Mr. Brantley Henderson  
Multifamily Programs Administrator  
Florida Housing Finance Corporation  
227 North Bronough Street, Suite 5000  
Tallahassee, Florida 32301

Re: Fountains of Indian River II f/k/a Lindsey Gardens Apartments Phase II (MMRB 2002 Series I-1 and I-2 / 4% HC 2002-523C) – Transfer of General Partner Interest

Dear Mr. Henderson:

Seltzer Management Group, Inc. (“SMG” or “Seltzer”) has reviewed a request from Mark Moorhouse, Senior Vice President, Dominion Development & Acquisition, LLC. (“Dominium”), on behalf of the Borrower, Lindsey Gardens II, Ltd. (“Borrower”), for Florida Housing Finance Corporation (“FHFC” or “Florida Housing”) to consent to the transfer of the general partner interest of Columbia Housing SLP, Corp. (“Columbia”), the interim general partner (“GP”) of the Borrower, to Vero Beach Leased Housing Associates II, LLC (“VBII”), a Minnesota limited liability company registered to conduct business in the State of Florida on July 24, 2014. The letter request also indicates that at the time of the transfer of the GP interest, VBII will acquire the entire special limited partner (“SLP”) interest of Columbia in the Partnership and Vero Beach Leased Housing Associates LP II, LLC (“VBLPII”), a Minnesota limited liability company, will also acquire the entire investor limited partner (“LP”) interest in the Partnership currently owned by Columbia Housing/PNC Institutional Fund XVII Limited Partnership. Dominion is an affiliate of VBII and VBLPII.

The Members of VBII are Paul Sween (33.469%), Armand Brachman (33.469%), Mark Moorhouse (20.563%), Mark Sween (10.00%), Chris Barnes (1.250%) and Jeff Huggett (1.250%). The sole member of VBLPII is Polaris Holdings I, LLC (“Polaris”) with a 100.0% ownership interest. Polaris is a Minnesota limited liability company, registered to conduct business in the State of Florida on May 14, 2013. Polaris was formed by principals of Dominion for estate planning/accounting purposes. It typically holds residual ownership interests and has options to purchase the limited partner interests in Dominion transactions. The principals of Dominion formed two entities, Dominion Holdings I, LLC (“DHI”) and Dominion Holdings II, LLC (“DHII”) for the purpose of providing corporate guaranties in connection with development and acquisition developments.

Specifically, SMG has been requested to determine whether VBII will have, through its various members, the prerequisite financial strength and experience to successfully own and operate the subject development.

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

1. Correspondence dated August 4, 2014 from Mark Moorhouse, Senior Vice President, Dominion, on behalf of the current GP and SLP, requesting Florida Housing’s consent to replace the GP
2. Rule 67-21, F.A.C and 67-48 F.A.C.
3. Credit Underwriting Report dated April 22, 2002
4. Florida Secretary of State Records

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5. FHFC Occupancy Reports
6. An Independent Auditor's Report dated January 14, 2014 for the Borrower prepared by Cohn Reznick LLP ("Reznick") for the year ended December 31, 2012
7. An August 14, 2014 Annual Management Review and Physical Inspection of Fountains of Indian River II f/k/a Lindsey Gardens Apartments Phase II ("Fountains II") by SMG
8. Letter of Intent ("LOI") dated March 28, 2014 setting forth the general terms and conditions for the purpose of acquisition of the GP, LP and SLP ownership interests in Borrower
9. Dominion Ownership and Guarantor Restructuring dated January 2014
10. Personal Financial Statements for Mr. Brachman, Mr. Sween and Mr. Moorhouse dated March 31, 2014 along with the 2011 and 2012 tax returns and 2013 Application for Automatic Extension of Time to File U.S. Individual Income Tax Return for each
11. Resume for Dominion and Polaris
12. FHFC Past Due Report dated July 10, 2014, and the FHFC Asset Management Noncompliance Report dated July 10, 2014

Seltzer's findings are as follows:

- Fountains II is located at 4885 38<sup>th</sup> Circle, Vero Beach, Indian River County, Florida 32967. The subject consists of 72 garden-style apartments located in five (5) two-story residential buildings containing eight (8) one-bedroom / one-bathroom units, thirty-two (32) two-bedroom / two-bathroom units, twenty-four (24) three-bedroom / two-bathroom units and eight (8) four-bedroom / two-bathroom units. The development also includes one single-story recreational building.
- Borrower was originally formed and registered with the State of Florida on February 15, 2000 to own and operate Fountains II. The original general partner was Lindsey Gardens Joint Venture II ("LGJV II") with a 0.01% ownership interest. Columbia Housing/PNC Institutional Fund XVII Limited Partnership was admitted to the Partnership as the 99.99% limited partner and Columbia was admitted as the special limited partner on April 1, 2003. Effective September 9, 2013, LGJVII was replaced as the 0.01% general partner by Columbia.
- The development was financed by a first mortgage loan dated October 1, 2002 from Florida Housing funded by the proceeds from the sale of tax-exempt Multifamily Mortgage Revenue Bonds ("MMRB") 2002 Series I-1 in the amount of \$2,800,000 and taxable MMRB 2002 Series I-2 in the amount of \$85,000. The bonds were purchased by Fannie Mae through its Direct Purchase Program and are credit enhanced by a letter of credit issued by PNC Bank, N.A. ("PNC"), an affiliate of the current LP and SLP. Additional sources of funds included HC in the amount of \$1,923,051 and deferred developer fees.
- The Dominion August 4, 2014 request letter indicates that the proposed transfer of GP ownership will also include repayment in-full of the first mortgage loan and redemption of the MMRB. The repayment and redemption are anticipated to occur within sixty (60) days of FHFC Board approval of the GP transfer. Seltzer received a term sheet from Minnwest Bank, M.V. ("Minnwest") for a new first mortgage loan currently estimated to be in the amount of \$2,059,000. The loan proceeds will be used to refinance the existing first mortgage, redeem the bonds, pay any early retirement penalty associated with the bonds and pay loan closing costs. The note rate will be 299 basis points above the published Five Year Fixed Advance Federal Home Loan Bank of Des Moines index. The current note rate as calculated by Minnwest is 5.01%. The loan will have a 5 year term and will require monthly payments of principal and interest based on a 30 year amortization period. The loan will be limited to the lesser of 80% of the improved income restricted appraised value or \$2,059,000. The Development is to maintain a 1.20 to 1.00 debt service coverage annually beginning December 31, 2014. Seltzer's recommendation is conditioned upon receipt and satisfactory review prior to the transfer of the GP ownership interest of the Borrower of verification

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that the Minnwest loan closing and payment in-full of the current FHFC bond loan will occur in conjunction with the ownership transfer.

- Occupancy as of June 2014 is 86.11%.
- The most recent Annual Management Review and Physical Inspection (the "Review") for Fountains II by Seltzer is dated August 13, 2014. The Review noted discrepancies. A written response from the Borrower has not been received.
- Audited Financial Statements for Borrower for the year ended December 31, 2012 reflect going concern considerations. The auditor notes that the Partnership has suffered significant operating losses in recent years. If profitable operations cannot be attained, the Partnership will be financially dependent on the partners.
- Seltzer received a LOI dated March 28, 2014 between Dominion as Buyer and PNC as Seller setting forth the general terms and conditions for the purpose of acquisition of the GP ownership interests in Lindsey Gardens II, Ltd. The LOI has not been executed by PNC. The interest will include:
  - a. The right to and interest in cash flow and net proceeds from sale or refinancing of the GP, LP (including the SLP) and developer; and
  - b. All other economic interests due and payable as GP, LP (including the SLP) and developer of the Borrower.

The principals of Dominion formed two entities, DHI and DHII for the purpose of providing corporate guaranties in connection with development and acquisition. The March 28, 2014 LOI indicates that all outstanding guarantees, if required, will be made by DHII.

Except for payment of the purchase price and except as otherwise provided in the LOI, Dominion will not owe any obligations, guaranties or indemnities to any current or former partner of the Partnership or any affiliates thereof. Dominion will provide tax credit recapture indemnification to PNC through the fifteen (15) year HC compliance period. The Guaranty will be provided by DHII.

The LOI does not indicate the purchase price for Fountains II.

- Dominion is a Minneapolis-based owner, developer and manager of multifamily rental properties. Dominion, founded in 1972, has developed in excess of 6,000 rental units and acquired an additional 7,000 units. Armand E. Brachman and Paul R. Sween are the managing partners of Dominion and Mark S. Moorhouse is its Senior Vice President and Project Partner. Dominion formed its own management company in 1976 Dominion Management Services, LLC. Dominion has acquired large portfolios, such that it is now the largest multifamily property owner in the State of Minnesota and is one of the leading management companies in the Midwest. Dominion's portfolio consists of more than 22,000 multifamily units at 205 sites in 20 states, including more than 6,000 units developed, 7,000 units acquired and 4,000 fee-managed units. Dominion is headquartered in Plymouth, Minnesota and has five (5) regional offices across the United States and more than 1,000 employees.
- The personal financial statement for Armand E. Brachman as of March 31, 2014 is considered satisfactory, with cash and marketable securities in the high seven figures and a net worth in the mid-eight figures. Mr. Brachman reports contingent liabilities in the form of operating deficit guarantees in the low eight figures, HC guarantees in the low nine figures and loan guarantees in the low nine figures for total contingent liabilities in the low nine figures. Seltzer has also reviewed Mr. Brachman's 2011 and 2012 tax returns. A tri-merged credit report for Mr. Brachman dated March 28, 2014 reports satisfactory credit. Seltzer's recommendation is conditioned upon receipt and satisfactory review prior to the closing of the general partner transfer of an updated financial statement for Armand E. Brachman dated within 90 days of the closing of the general partner transfer.

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- The personal financial statement for Paul R. Sween as of March 31, 2014 is considered satisfactory with cash and marketable securities in the mid-seven figures and a net worth in the mid-eight figures. Mr. Sween reports contingent liabilities in the form of operating deficit guarantees in the low eight figures, HC guarantees in the low nine figures and loan guarantees in the low nine figures for a contingent liabilities total in the low nine figures. Seltzer has also reviewed Mr. Sween's 2011 and 2012 tax return. A tri-merged credit report for Mr. Sween dated March 28, 2014 reports satisfactory credit. Seltzer's recommendation is conditioned upon receipt and satisfactory review prior to the closing of the general partner transfer of an updated financial statement for Paul R. Sween dated within 90 days of the closing of the general partner transfer.
- The personal financial statement for Mark S. Moorhouse as of March 31, 2014 is considered satisfactory with cash and marketable securities in the low six figures and a net worth in the low eight figures. Mr. Moorhouse reports contingent liabilities in the form of operating deficit guarantees in the low seven figures, HC guarantees in the low nine figures and loan guarantees in the high eight figures for a contingent liabilities total in the low nine figures. Seltzer has also reviewed Mr. Moorhouse's 2011 and 2012 tax returns. A tri-merged credit report for Mr. Moorhouse dated March 28, 2014 reports satisfactory credit. Seltzer's recommendation is conditioned upon receipt and satisfactory review prior to the closing of the general partner transfer of an updated financial statement for Mark S. Moorhouse dated within 90 days of the closing of the general partner transfer.
- Dominion operates on a break-even basis, providing professional staffing for its members' developments. Dominion is not a partner, developer, manager or guarantor on any of its members' multifamily transactions.
- Florida Housing's Past Due Report dated July 10, 2014 reflects the following past due accounts for Dominion:
  - a. Village at Delray: TCAP/HOME - failure to submit the 2012 Cash Flow reporting forms by the May 31, 2013 deadline and failure to submit the 2013 Cash Flow reporting forms and audited financial statements by the May 31, 2014 deadline. The late filing fee has been billed and paid.
- Florida Housing's Asset Management Noncompliance Report dated July 10, 2014, reflects no entities or individuals associated with the Borrower.

#### Conclusion

Seltzer's review indicates that VBII through its members has the prerequisite financial strength and experience to successfully own and operate Fountains II.

Therefore, SMG recommends that FHFC consent to and approve the transfer of the 0.01% general partner interest to VBII, subject to the following:

1. VBII to execute any assignment and assumption documents FHFC deems necessary to effectuate the general partnership, limited partnership and special limited partnership changes.
2. Receipt and satisfactory review prior to the transfer of the GP ownership interest of the Borrower of verification that the Minnwest loan closing and payment in-full of the current FHFC bond loan will occur in conjunction with the ownership transfer.
3. Receipt and satisfactory review prior to the closing of the general partner transfer of an updated financial statement for Armand E. Brachman dated within 90 days of the closing of the general partner transfer.
4. Receipt and satisfactory review prior to the closing of the general partner transfer of an updated financial statement for Paul R. Sween dated within 90 days of the closing of the general partner transfer.

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5. Receipt and satisfactory review prior to the closing of the general partner transfer of an updated financial statement for Mark S. Moorhouse dated within 90 days of the closing of the general partner transfer.
6. Payment of any outstanding arrearages to FHFC, its Legal Counsel, Servicer or any Agent or Assignee of Florida Housing for Past Due issues applicable to the Development Team (Borrower or Developer or Principal, Affiliate or Financial Beneficiary, as described in 67-48.0075 (5) F.A.C. and 67-21.0025(5) F.A.C., of a Borrower or a Developer).
7. Verification from FHFC that Dominion Management Services, LLC is approved to act as the management company for Fountains II.
8. Satisfactory resolution of any outstanding past due or noncompliance items.
9. Review and approval of all loan documents consistent with the terms outlined above by FHFC and its legal counsel.
10. Payment of a non-refundable MMRB transfer and assumption fee of \$2,500.
11. Prepayment of any required compliance monitoring fees.
12. All other Due Diligence required by FHFC or its legal counsel and servicer.

If you have any questions or if I can be of further assistance, call me at (850) 233-3616, Ext. 238.

Sincerely,

SELTZER MANAGEMENT GROUP, INC.



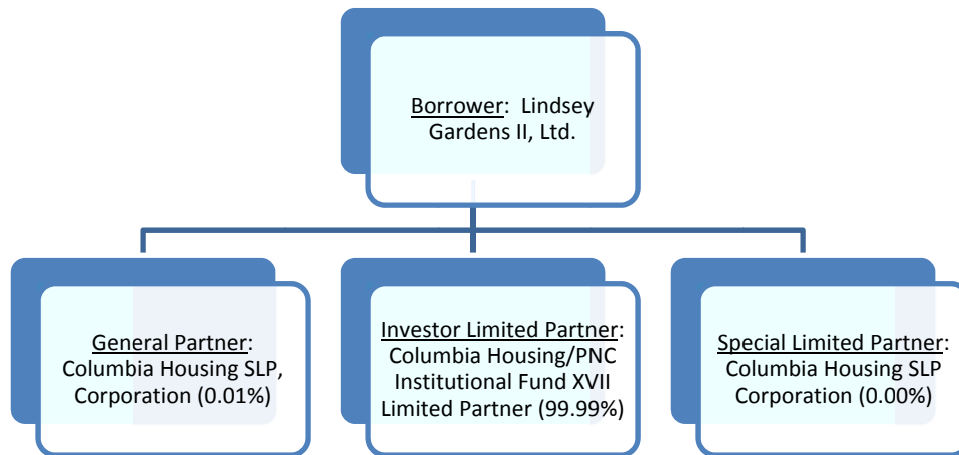
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Wanda C. Greggo  
Credit Underwriter

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**EXHIBIT A**

Current Ownership Structure



Proposed Ownership Structure:

