



October 16, 2014

Mr. Brantley Henderson
Multifamily Program Administrator
Florida Housing Finance Corporation
227 North Bronough Street, Suite 5000
Tallahassee, FL 32301-1329

Re: Palmetto Ridge Estates ("Development")
MMRB 2007 Series A/4% HC 2007-507C/RRLP 2005-321HR
Transfer of General Partner's Interest

Dear Mr. Henderson:

Florida Housing Finance Corporation ("Florida Housing" or "FHFC") has requested that AmeriNational Community Services, Inc. ("AmeriNational") review the request to consent to the transfer of the current General Partner interest of Palmetto Ridge Estates Development, LLC, ("Palmetto GP") of Palmetto Ridge Estates, LP ("Borrower") to AH SubGP 1470 Palmetto, LLC ("Sun GP"). Specifically, AmeriNational has been requested to determine that Sun GP has the prerequisite financial strength and experience to successfully own and operate the Development.

AmeriNational reviewed the request, performed certain due diligence and formulated a recommendation. For purposes of this analysis, AmeriNational reviewed the following due diligence:

- Correspondence from the Limited Partner of the Borrower
- Original credit underwriting report dated July 16, 2006, credit underwriting update letters dated 5/22/07, 9/8/08 and 3/23/09
- Closing documentation (August 2007)
- Organization Documentation for all entities
- Development's current balance sheet and 2013 audited financial statement
- Development's operating pro forma for the last three months
- Development's Annual Management Review and Physical Inspection Reports
- AIG's 2013 audited financial statements
- FHFC Past Due Report dated August 22, 2014
- FHFC Non-Compliance Report dated August 22, 2014
- FHFC Occupancy Report
- Property Management Agreement & Management Plan
- Property management experience

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Background Summary

The Development is located in Titusville, FL and consists of 192 units within eight, three-story buildings. The Development has a family demographic and is 100% set aside with 25% of the units (48 units) set aside for tenants with incomes at or below 35% of the Area Median Income ("AMI") (HC & RRLP) and 75% of the units (remaining units) set aside at or below 60% AMI (HC & RRLP) and 85% of the units (164 units) set aside at or below 60% AMI (MMRB), all for 50 years. The Development received their Certificates of Occupancy between December 2008 and February 2009.

In August 2007, the Borrower received 1) a Multifamily Mortgage Revenue Bonds ("MMRB") Tax-Exempt Bond Allocation (2007 Series A) of \$11,500,000 issued by Florida Housing and was paid down to \$4,250,000 on July 29, 2009; 2) a mortgage loan from Florida Housing's Rental Recovery Loan Program ("RRLP") of \$7,400,000 (base loan is \$5,000,000 and the supplemental loan is \$2,400,000); and 3) capital contributions from the sale of 99.99% limited partnership interest in the Borrower to SunAmerica Housing Fund 1356 ("SunAmerica") for \$9,141,070. Additional subordinate debt includes a SHIP Loan in the amount of \$90,000 from the City of Titusville, which was approved at the September 26, 2008 FHFC board meeting. The SHIP Loan is subordinate to the MMRB and RRLP loans.

The Guarantors for the transaction are as follows: The Borrower, Palmetto GP, Gandolf Group, LLC (Sole Owner of GP) and Timothy J. Oliver, individually. The Guarantors provided the following guarantees: 1) FHFC Guaranty of Recourse Obligations; 2) FHFC Environmental Indemnity Guaranty; 3) FHFC Construction Completion Guaranty; and 4) FHFC Operating Deficit Guaranty.

Palmetto GP, the current General Partner of the Borrower, has defaulted in its obligations under the Amended and Restated Agreement of Limited Partnership ("LPA"), dated August 24, 2007. Palmetto GP was provided notice and an opportunity to cure the defaults; however, has failed to do so. Palmetto GP is an affiliate of Gandolf Group, LLC and Gandolf Holding, LLC, who are in bankruptcy. Because of the settlement of claims of SunAmerica against Gandolf Group, LLC and Gandolf Holding, LLC, Palmetto GP will withdraw as the General Partner. A letter dated September 10, 2014 from the Limited Partner, SunAmerica Housing Fund 1356, requested the approval of this withdrawal. See Exhibit A for the organizational charts for the proposed and current ownership structure.

Current Debt Information

Development debt includes the MMRB (\$3,278,000), RRLP (\$7,400,000) and City of Titusville (\$90,000) loans. Balances are as of December 31, 2013. The MMRB has an interest rate of 5.49%, with principal and interest payments due monthly and a maturity date of January 2040. The RRLP base loan of \$1,250,000 has a zero percent interest rate and matures in August 2040. The RRLP base loan of \$3,750,000 has an interest rate of 1%, with payments based on development cash flow, and matures in August 2040. The RRLP supplemental loan of \$2,400,000 has a zero percent interest rate and matures in August 2027. The City of Titusville loan is forgivable in March 2024 and has a zero percent interest rate.

Proposed General Partner Information

AH SubGP 1470 Palmetto, LLC ("Sun GP") is a foreign limited liability company formed on July 3, 2014 in Delaware, and registered in the state of Florida. Sun GP's ownership interest in the Borrower will be

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0.001%. Sun GP and its sole member SAFG Retirement Services, Inc. are affiliated entities with American International Group, Inc. ("AIG"). The limited partners of the Borrower, SunAmerica Housing Fund 1356 (99.99%) and SLP Housing II, LLC (0.009%), are also affiliated entities of AIG. See Exhibit A for the organizational charts for the current and proposed ownership structure.

AIG invests in various real estate investments through partnerships. SunAmerica Affordable Housing Partners, Inc. ("SAAHP"), an affordable housing partnership of AIG, organizes and invests in limited partnerships that develop and operate affordable housing qualifying for federal tax credits, in addition to market rate properties across the United States. Through approximately 1,000 partnerships, SAAHP has investments in developments with approximately 130,000 apartment units nationwide, and as of December 31, 2013, has syndicated approximately \$7.7 billion in partnership equity to other investors who will receive tax credits.

The following illustrates the financial capacity of AIG based upon a Form 10-K filed with the U.S. Securities and Exchange Commission for fiscal year ended December 31, 2013. The audited financial statements were prepared by PricewaterhouseCoopers, LLP on February 20, 2014.

AIG – Consolidated Financial Statement
(In Millions)

FYE December 31, 2013		(Audited)
Cash and Cash Equivalents	\$	2,241
Investments	\$	356,428
Total Assets	\$	541,329
Total Liabilities	\$	440,218
Redeemable Non-Controlling Interest	\$	(641)
Total Equity	\$	100,470

The majority of AIG's assets are represented as Cash and Investments. The majority of AIG's liabilities consist of Policyholder Contract Deposits, Other Liabilities, Long-term Debt and Liabilities Held for Sale. AIG's primary source of revenue is derived from gross profits from Premiums and Net Investment Income of \$68,678,000 through December 31, 2013, providing for a net income of \$9,085,000 over the same period. Note: The general partners in the operating partnerships are generally unaffiliated third-party developers. AIG does not consolidate an operating partnership if the general partner is an unaffiliated entity.

Note: In September 2008, the U.S. government extended an \$85 billion dollar rescue loan, which eventually grew to nearly \$185 billion, to AIG as the company was in a major financial crisis and nearing bankruptcy. AIG has since repaid the debt and the company has returned to profitability, and its stock has risen more than 45 percent over the past two years.

Development Information

The Development Team was not listed on either the FHFC's Non-Compliance Report or Past Due Report, both dated August 22, 2014.

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AmeriNational reviewed the Development's Annual Management Review and Physical Inspection Reports (2011-2014), performed by AmeriNational's Compliance Department, and found the Development to be in compliance in years 2011 and 2012 with satisfactory ratings. In years 2013 and 2014, the Development was in non-compliance for typical deficiencies; however, all noted discrepancies were satisfactorily corrected in both years. Close-out letters were provided for each respective year.

The current occupancy rate for the Development, as of September 2014, was 83.85%. Per the FHFC Occupancy reports, historical occupancy in December for each of the past four years has been reported as follows:

December 2013	77.08%	December 2011.....	73.96%
December 2012	72.40%	December 2010.....	90.63%

An Accrual Income Statement for the Development for the first eight months of 2014 is as follows:

Palmetto Ridge Estates, LP	
<u>January 1 thru August 31, 2014</u>	<u>Unaudited</u>
Gross Rental Income	\$ 773,152
Less Vacancy	\$ (183,999)
Net Rental Income	\$ 589,153
Plus Other Income	\$ 19,251
Total Income	\$ 608,404
Less Expenses	\$ (544,380)
Net Operating Income	\$ 64,204
Income after Debt and Reserve Expenses	\$ (215,904)

An audited 2013 fiscal year end financial statement for the Development is as follows:

Palmetto Ridge Estates, LP	
<u>December 31, 2013</u>	<u>(Audited)</u>
Cash and Cash Equivalents	\$ 42,293
Total Assets	\$ 20,328,819
Total Liabilities	\$ 13,582,812
Total Equity	\$ 6,746,007

The financial information is based upon audited financial statements as of the period ending December 31, 2013 and prepared by Eide Bailly, LLP, CPA on April 4, 2014. The majority of the Development's assets are represented as Cash, Due from Related Party (\$118K), Restricted Deposits and Funded Reserves (\$454K) and Property and Equipment (\$18.9MM). The majority of the Development's liabilities consist of Accounts Payable (\$642K), Due to Limited Partner (\$477K), Developer Fee and Deferred Developer Fee Payable (\$1.5MM) and Long-Term Debt (\$10.7MM). The remaining Deferred Developer Fee will be paid from cash flow.

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Property Management Information

The Development is managed by Royal American Management, Inc. (“RAM”); the selection of the management company was approved by FHFC’s Asset Management Department on November 18, 2013. Continued approval is subject to ongoing performance. Since becoming the management company, the occupancy rate has steadily increased at the Development from 72% in December 2012 to 84% in September 2014. The proposed GP transfer should have no impact on the day to day operations of the Development.

RAM is a subsidiary of Royal American Companies, which was founded in Panama City, Florida, in 1968 by Joseph F. Chapman, III. RAM is a Licensed Real Estate Brokerage Corporation located in Panama City, Florida, with regional offices in Miami, Florida; Orlando, Florida; Charlotte, North Carolina; and Bainbridge, Georgia. RAM manages multifamily apartment communities throughout the Southeast and has extensive experience in all types of multifamily property management and programs including: Luxury, RD, HUD, Section 8, Bond, HOME, SAIL, and Hope VI apartment communities as well as single-family detached housing rental communities, Senior Affordable Apartment Communities, Assisted Living Facilities and Congregate Living Facilities.

The underwriter was provided a Residential Property Management Agreement, dated January 1, 2014, between the Borrower and RAM. The Agreement provides for compensation in an amount equal to five percent (5%) of Gross Operating Revenues. The term of this Agreement shall expire twelve months from the Commencement Date (“Original Term”) and shall automatically renew at the end of the Original Term and any subsequent renewal for an additional year unless otherwise terminated as provided in Section 10 of said Agreement. The Agreement stated RAM will comply with all of the requirements of the applicable Regulatory Agreements associated with the Development. The Management Plan was also reviewed and found satisfactory by the underwriter.

Summary and Recommendations

Based on the analysis contained herein, AmeriNational recommends approval of the transfer of the General Partner interest and concludes that Florida Housing’s financial interests and underlying collateral will not be adversely effected as:

1. Sun GP, through its affiliated entities, has the experience and financial capability to perform the duties as the General Partner.
2. The management company has the experience and proven track record to manage the day-to-day operations and continue to improve occupancy.

Accordingly, AmeriNational recommends approval subject to the following:

1. Sun GP and the withdrawing general partner(s) to execute any assignment and assumption documents Florida Housing deems necessary to effectuate the general partnership change, including but not limited to the Guaranty of Recourse Obligations, Environmental Indemnity and other existing guarantees;

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2. Payment of a non-refundable transfer and assumption fee equal to one-tenth of one percent of the RRLP loan;
3. Satisfactory resolution of any non-compliance or past due items for the subject property to the satisfaction of Florida Housing;
4. Review and approval of all loan documents consistent with the terms outlined above by Florida Housing and its legal counsel.
5. Payment of 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 Developer);
6. Consent of the HC equity provider, as applicable;
7. Prepayment of any required compliance monitoring fee, if applicable;
8. Payment of a non-refundable MMRB transfer and assumption fee of \$2,500;
9. Any other requirement of FHFC, its legal counsel and servicer.

Please do not hesitate to contact me if you need further assistance.

Sincerely,

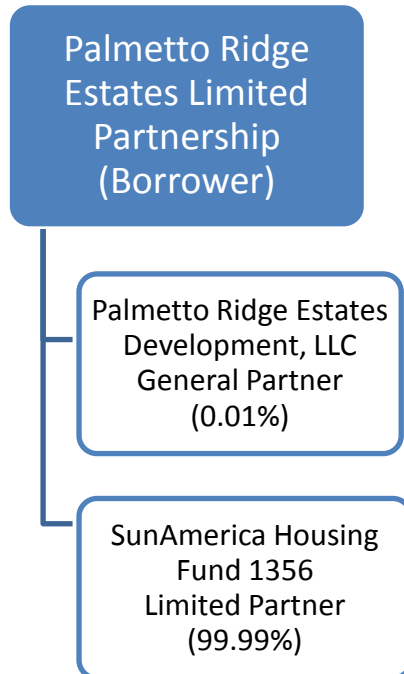


Kimberly A. Thorne
Credit Underwriter

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Exhibit A

Current Ownership Structure



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Proposed Ownership Structure

