



October 15, 2015

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

Re: Northbridge Apartment Homes on Millenia Lake I and Northbridge Apartment
Homes on Millenia Lake II (“NAH I and II”)
2007 Series G-1 and G-2 (MMRB Phase I and II/ 2002-078BS (SAIL Phase I)
Release of Guarantors

Dear Mr. Henderson,

Florida Housing Finance Corporation (“FHFC”) requested that First Housing (“FHDC”, Servicer” or “Credit Underwriter”) review correspondence from Brian Spear, as Agent for certain Guarantors of NAH I & II, dated November 4, 2014, which requests the release of certain original guarantors from the Multifamily Housing Revenue Bonds (“MMRB”) and State Apartment Incentive Loan (“SAIL”) Guarantees. The remaining guarantors, Waterton affiliates involved in the ownership of NAH I & II, have the experience, financial strength and capacity to continue serving as guarantors.

This request is to release the following original guarantors from the SAIL Environmental Indemnity Guaranty (“Environmental Guaranty”), the MMRB Environmental Guaranty, the SAIL Continuing, Absolute and Unconditional Guaranty of Recourse Obligations (Guaranty of Recourse Obligations”), and the MMRB Guaranty of Recourse Obligations:

- Northbridge at Millenia Partners, Ltd.
- Northbridge at Millenia Partners II, Ltd. (MMRB only)
- CED Capital Holdings 2002 RR, LLC
- CED Capital Holdings 2003 E, LLC (MMRB only)
- Alan H. Ginsberg, Individually
- CED Capital Holding XIV, Ltd.

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First Housing reviewed the following documentation in conjunction with this analysis:

- Correspondence requesting a release of the original guarantors.
- Audited Financial Statements for Waterton Northbridge Leasehold Owner, LLC for the 8 month period of ownership prior to December 31, 2014.
- Audited Financial Statements for December 31, 2014 for Waterton Venture XII and subsidiaries.
- Monthly rent roll reports through August, 2015 showing occupancy has gradually increased to an average of 91.68%.
- Annual Management Review and Physical Inspection for NAH I & II performed by Servicer on April 23, 2015.
- NAH I & II Transfer of Ownership Credit Underwriting Letter, dated January 17, 2014.
- FHFC Past Due report dated August 21, 2015.
- FHFC Asset Management Noncompliance Report dated August 21, 2015.

Both Developments were collectively refunded through one Bond Issue in 2007. The refunding consisted of \$70,000,000 in tax-exempt/taxable bonds as follows: \$48,500,000 in tax-exempt bonds (2007 Series G-1) and \$21,500,000 in taxable bonds (2007 Series G-2). An existing SAIL loan on Phase I, in the amount of \$2,000,000, was subordinated at the time of the refunding and spread such that both Phase I and Phase II now serve as collateral for the SAIL Loan. The FHFC SAIL Loan repayment is based upon available cash flow from Phase I only. This change provided additional security to the existing SAIL mortgage. Although both Developments were refunded through one Bond Issue, separate Bond and SAIL LURAs have remained intact. The Owners requested a merger of Northbridge I and II at the June 21, 2013 FHFC Board Meeting. Florida Housing's Board approved the merger of Phase II into Phase I.

On January 31, 2014 the Florida Housing Board of Directors approved a Transfer of General and Limited Partner Interest for the Borrower of NAH I & II.

Waterton Associates, LLC, and/or its affiliates (collectively, "Borrower" or "Waterton") acquired both the general and limited partner interest in each of Northbridge at Millenia Partners, Ltd., and Northbridge at Millenia Partners II, Ltd. The Borrower also acquired Don Mott Associates, Inc.

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the owner of the land and the ground lessor of the above property. Upon closing the Borrower and its affiliates assumed all existing guarantees in favor of FHFC. At the time, it was requested that the original guarantors be released from these same guarantees, however, because the merged Development was ultimately being purchased by a brand new Waterton affiliate and the subject was the first Development in this brand new investment fund the Credit Underwriter did not recommend release of the original guarantors. The surviving Guarantors remaining would be:

- Waterton Northbridge Leasehold Owner, LLC
- Waterton Northbridge Leasehold Venture, LLC
- Waterton Northbridge Fee Venture, LLC
- WRPV XII Northbridge Orlando, LLC
- Waterton Residential Property Venture XII, LP
- Waterton Northbridge Manager, LLC

Our findings are as follows:

- Based on FHFC's 2014 occupancy report, the subject Development's occupancy ranged from 87.2% to 95.6%. As of August 2015, occupancy was at 91%.
- The most recent Compliance Annual Management Review and Physical Inspection for NAH I & II was performed by the Servicer on April 23, 2015. A copy of the review was forwarded to the Borrower on May 21, 2015. During the 2014 Annual Management Review, twenty-two (22) resident files were examined in which no discrepancies were found. As a result of minor repairs, made the day of inspection, the Development was considered to be in compliance.
- Audited Financial Statements for the Borrower for the year ended December 31, 2014, do not reflect any going concerns or pending litigation.
- Waterton Associates, LLC formed in 1995. The principals each have over 25 years of multifamily real estate experience and have successfully invested on behalf of institutional investors as a team for over 13 years. Waterton acquires, develops/rehabilitates, manages, procures financing for and sells multifamily real estate investments. The company has managed over \$4.8 billion in total capitalization representing more than \$1.8 billion in equity in over 145 equity and debt investments throughout the United States. Waterton's subsidiary Waterton Residential is responsible for the management of community level operations for currently over 19,000 residential units.
- Waterton Residential Property Venture XI, LP is Waterton's first comingled fund which raised \$500 Million in equity in February 2011. Currently, Venture XI consists of 26 investments diversified by geography and product type consisting of 7,874 units. Venture XI's investment objective is to acquire a balanced portfolio of multifamily assets

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diversified by location and for which Waterton can add value through a combination of professional management, correction of deferred maintenance, physical property improvement and recapitalization. Waterton Associates, LLC initiated its twelfth fund Waterton Residential Property Venture XII, LP and started funding through a private placement memorandum in February of 2014. The subject properties were placed into this new fund. It was anticipated that the February funding will create a minimum of \$100 Million in resources to build this 12th funding venture.

- The December 31, 2014, audited financials for Waterton Residential Property Venture XII, LP and its subsidiaries were issued by Ernest and Young, LP. The report reflects no going concern issues, litigation, and no defaults. As of December 31, 2014, total assets were \$292,366,448, total liabilities were \$264,822,393, and Equity was \$27,544,055.
- FHFC Noncompliance Report, dated August 21, 2015, lists one noncompliance item for CED Companies and Alan Ginsburg (Original Guarantor and affiliate thereof) and the principals:
 - Lexington Club at Vero (Fees charged for storage and exceeding rent Limitations) – CED Companies/Alan Ginsberg.
- FHFC Past Due Report, dated August 21, 2015, lists past due items for CED Companies and Alan Ginsburg (Original Guarantor and affiliate thereof) and principals:
 1. Hampton Greens- Foreclosure
 2. Highland Oaks – Foreclosure
 3. Whispering Oaks f/k/a/ Atlantic Oaks - Foreclosure.

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FINANCIAL COSTS:		Initial 8 MONTHS from April 2014 thru December 2014	Year 1 Per Unit	May 31, 2015 YTD annualized	Year 2 Per Unit
OPERATING PRO FORMA					
INCOME:	Gross Potential Rental Income	\$4,699,046	\$7,741	\$7,031,940	\$11,585
	Miscellaneous	\$659,575	\$1,087	\$833,580	\$1,373
	Gross Potential Income	\$5,358,621	\$8,828	\$7,865,520	\$12,958
	Less:				
Total Effective Gross Income		\$5,358,621	\$8,828	\$7,865,520	\$12,958
EXPENSES:	Fixed:				
	Ground Lease	\$381,384	\$628	\$572,000	\$942
	Real Estate Taxes	\$619,835	\$1,021	\$1,108,244	\$1,826
	Insurance	\$185,459	\$306	\$247,116	\$407
	Other	\$0	\$0	\$0	\$0
	Variable:				
	Management Fee Percentage: 0.00%	\$189,563	\$312	\$289,392	\$477
	General and Administrative	\$234,340	\$386	\$306,600	\$505
	Payroll Expenses	\$601,624	\$991	\$808,968	\$1,333
	Utilities	\$595,221	\$981	\$846,804	\$1,395
	Marketing and Advertising	\$112,464	\$185	\$168,900	\$278
	Maintenance and Repairs/Pest Control	\$558,919	\$921	\$382,980	\$631
	Grounds Maintenance and Landscaping	\$55,544	\$92	\$210,000	\$346
	Other	\$8,747	\$14	\$9,009	\$15
Reserve for Replacements	\$60,700	\$100	\$91,050	\$150	
Total Expenses		\$3,603,800	\$5,937	\$5,041,063	\$8,305
Net Operating Income		\$1,754,821	\$2,891	\$2,824,457	\$4,653
Debt Service Payments					
First Mortgage -		\$1,632,683	\$2,690	\$2,449,000	\$4,035
Second Mortgage - FHFC SAIL		\$40,000	\$66	\$60,000	\$99
Other Fees - Agency/Trustee/Servicer		\$87,834	\$145	\$131,750	\$217
Total Debt Service Payments		\$1,760,517	\$2,900	\$2,640,750	\$4,350
Cash Flow after Debt Service		-\$5,696	-\$9	\$183,707	\$303
		Annual		Annual	
Debt Service Coverage Ratios					
DSC - First Mortgage		1.07		1.15	
DSC - First & Second Mortgage		1.05		1.13	
DSC - All Mortgages and Fees		0.997		1.07	
Financial Ratios					
Operating Expense Ratio		67.25%		64.09%	
Break-even Economic Occupancy Ratio (all debt)		100.11%		97.66%	

Note: Although the 2014 audited partial year financials indicate that development cash flows fell just short (0.99x DSCR or approx. \$5,700) of the level required to fund the SAIL Loan soft interest payments, the 2015 year to date unaudited financials reflect improved positive cash flow with a 1.07x DSCR for the first mortgage, the SAIL Loan interest payments, and the related FHFC fees. In addition, occupancy levels have gradually increased (91% as of August 2015) and there is commercial space with its own revenue included in the overall development. All hard payments and fees have been kept current.

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Recommendation:

First Housing recommends the release of Northbridge at Millenia Partners, Ltd, Northbridge at Millenia Partners II, Ltd., CED Capital Holdings 2002 RR, LLC, CED Capital Holdings 2003 E, LLC, CED Capital Holdings XIV, Ltd. and Alan H. Ginsberg, individually from the SAIL Environmental Guaranty, the MMRB Environmental Guaranty, the SAIL Guaranty of Recourse Obligations, and the MMRB Guaranty of Recourse Obligations as determined by FHFC Legal Counsel. First Housing's review indicates that Waterton through its affiliated entities has the prerequisite financial strength and experience to successfully own and operate the subject. These recommendations are subject to the following:

1. Review and approval by FHFC and its legal counsel of all documents consistent with the terms outlined above.
2. Satisfactory resolution of any noncompliance or past due items.
3. 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, Developer or Principal, Affiliate or Financial Beneficiary, as described in 67-21.0025 and 67-48.0075 (5) F.A.C., of a Borrower or a Developer).
4. Any other requirement of FHFC, its legal counsel and Servicer.

If you have any question regarding this letter please do not hesitate to call us at 813-289-9410.

Prepared by:



William J. Metler
Asst. Vice President
Senior Credit Underwriter