FIRST HOUSING
SERVICE • FINANCE • COMPLIANCE

October 15, 2015

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

Re: Fairmont Oaks – MMRB 2003 Series I
Bond Redemption/ Transfer of Ownership

Dear Mr. Henderson:

At the request of the Florida Housing Finance Corporation ("FHFC"), First Housing Development Corporation ("FHDC") has reviewed the request for the transfer of ownership in the development Fairmont Oaks. The current owner is Fairmont Oaks LP ("Current Owner") and the proposed new owner is Avanath Fairmont Oaks, LLC a Foreign Limited Liability Company ("New Owner"). The New Owner is also requesting a change in the property management company from America First Properties Management Company, LLC to McKinley, Inc. d/b/a McKinley Properties, Inc. In addition, all mortgage lien(s), including the Loan and First Mortgage (to the extent outstanding) and the Bonds (as defined in the Land Use Restriction Agreement "LURA"), will be paid in full by the Current Owner at Closing, and a new mortgage loan ("New Loan") made in favor of New Owner's new lender will be in place at Closing.

On behalf of FHFC, First Housing has reviewed the request, performed certain due diligence, and formulated a recommendation and conditions which are contained at the end of this report. For purposes of this analysis, First Housing has reviewed the following:

- Background
- Overall Source and Uses of Funds
- Current Ownership Structure
- Proposed Ownership Structure
- Proposed Management Company
- Financial Capability
- Economics
- Operating Proforma
- Recommendation

- Conditions

In addition, First Housing has had various conversations with FHFC staff and the Borrower's representative regarding the request described above.

Background

The development, known as Fairmont Oaks Apartments is located on a 15.22-acre tract located at 316 SW 62nd Boulevard, Gainesville, Alachua County, Florida. The development was completed in 1986, and consists of 15 three-story residential apartment buildings. The development consists of 178 units with a unit mix of 80 one bedroom/one-bath units, 24 two bedroom/one and half bath units, 74 two bedroom/two-bath units. The parking lot contains 346 open spaces, or 1.94 spaces per unit.

The Bonds were originally placed in 1985, and subsequently refunded in 1989 Series E. The Applicant purchased the development in September, 2002 for $8,550,000. In 2003, the Applicant requested a refunding of the outstanding bonds to move them into a private placement. Through this refunding, the set-aside increased from 20% to 30% of the units at 80% AMI, the Qualified Project Period was extended by 10 years to March 2, 2020, and the Bonds started to amortize as payments were previously interest only.

Operation of the subject is restricted by terms and conditions detailed in various loan documents, including but not limited to Florida Housing's LURA Agreement.

The Amended and Restated LURA dated April 2, 2003 requires that 30% of the units (54 units) be set aside for tenants earning 80% or less of the Area Medium Income ("AMI") and 70% (remaining units) be set aside for tenants earning 150% or less of the AMI until March 2, 2020.

The development team was not reported on Florida Housing's August 21, 2015 Past Due Report or on Florida Housing's August 21, 2015 Noncompliance Report.

First Housing's Annual Management Review and Physical Inspection performed in August 21, 2015, found the property to be in non-compliance for several minor items which were subsequently corrected on the date of inspection.

Overall Source and Uses of Funds

The New Owner has provided First Housing with an estimate of the overall sources and uses of funds:

Sources		Uses	
Key Bank Loan	$7,540,000	Purchase Price	$11,600,000
Avanath Equity	$6,895,324	Renovation Budget	$2,535,324
		Financing Costs	$100,000
		Due Dillegence and Legal	$100,000
		Transaction Costs	$100,000
Total	**$14,435,324**	**Total**	**$14,435,324**

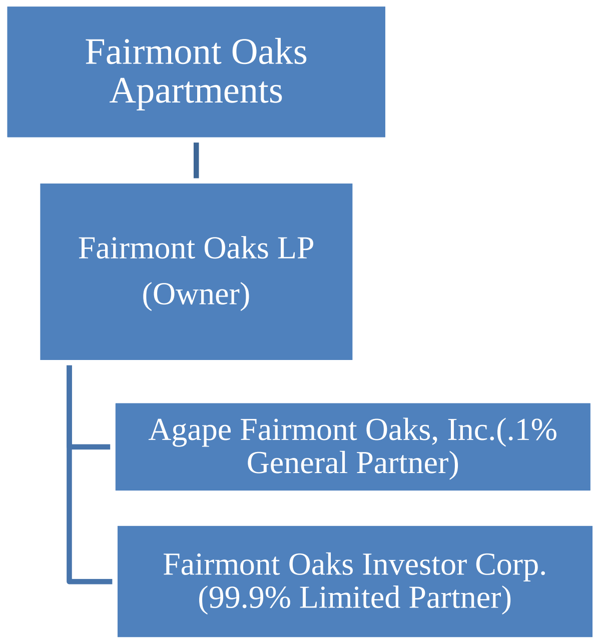
The underwriter has reviewed an application submitted by Avanath Fairmont Oaks, LLC to KeyBank for a loan in an amount up to $7,540,000. If awarded, the loan is proposed to have a seven (7) year term where the first two (2) years will require interest only payments. The interest rate is the seven year U.S. Treasury plus 250 basis points, which as of October 2, 2015 is 4.17%. After the two year interest only term ends, then the loan will amortize on a thirty (30) year schedule.

First Housing has been provided with a copy of the executed Commercial Purchase Agreement, dated August 28, 2015, and the executed First Amendment to the Commercial Purchase Agreement, dated September 28, 2015, between Fairmont Oaks Limited Partnership ("Seller") and Avanath Fairmont Oaks, LLC ("Buyer"). Based on these documents, the Buyer will purchase Fairmont Oaks for $11,600,000 contingent on, but not limited to, Florida Housing's approval to allow the utilities to not be separately metered for each unit.

Please note, the Seller will use the $11,600,000 purchase price amount to pay off the current remaining balance of $7,186,000, as provided by the Trustee on October 5, 2015, in 2003 Series I Bonds.

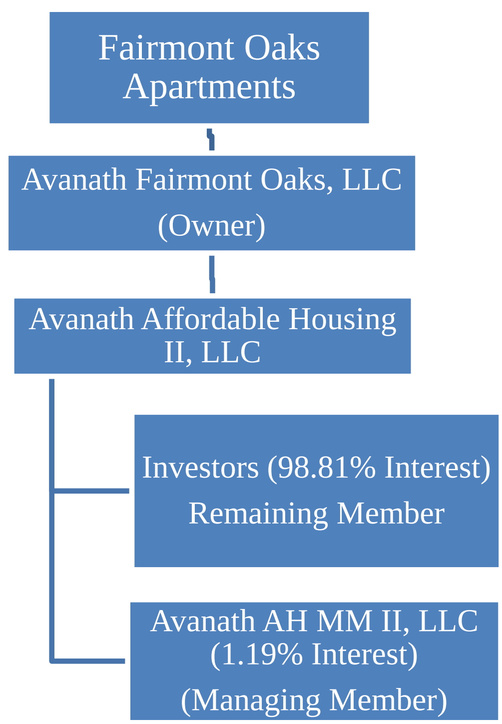
Current Ownership Structure

The Current Owner of the development is Fairmont Oaks Limited Partnership, whose general partner with .1% interest is Agape Fairmont Oaks, Inc. and whose limited partner with 99.9% interest is Fairmont Oaks Investor Corporation as pictured below:



Proposed Ownership Structure

The New Owner is Avanath Fairmont Oaks, LLC who is wholly owned by Avanath Affordable Housing II, LLC. The managing member of Avanath Affordable Housing II, LLC with 1.19% interest is Avanath AH MM II, LLC and the remaining member with 98.81% is a group of investors which includes, but is not limited to, Wells Fargo Community Investment, Prudential Insurance, and Illinois State Board of Investments. Since the Remaining Member is a newly formed entity with no experience, we have to look to Avanath Affordable Housing II, LLC ("AAHII") for their experience. AAHII is an investment vehicle formed on June 20, 2013. The members have collectively committed approximately $163 million in capital to AAHII for investments in affordable housing multifamily properties. AAHII currently has ten properties in its portfolio which consists of 2,234 units and a total project cost of $257 million. Below is the proposed organizational chart for the subject development:



The contact person for the proposed ownership is as follows:

Linda Rangel, Contract Attorney
Manatt, Phelps & Phillips, LLP
695 Town Center Drive, 14th Floor
Costa Mesa, CA 92626
Ph: 714-371-2505
Email: LRangel@manatt.com

Proposed Management Company

The Management Company is proposed to change from America First Properties Management ("AFPM") to McKinley, Inc. d/b/a McKinley Properties, Inc. ("McKinley").

McKinley and Avanath Capital Management together have launched "McKinley\Avanath", a residential property management enterprise created to manage affordable apartment home communities for Avanath, institutional partners and clients. McKinley\Avanath is built on McKinley's national operating platform and 45-year track record as apartment operators along with Avanath Capital's real estate investment track record in multifamily real estate. The firms place a strong emphasis on both compliance and reporting and enjoy a strong record of success.

Mr. Albert M. Berriz and Mr. Daryl J. Carter have invested significantly in affordable housing over the last thirty years, and decided to launch McKinley\Avanath to provide superior property management for affordable communities. Both as a result of their personal experiences, and their lengthy professional history, they have observed that residents and investors in affordable housing communities are not given the same level of service and care that are offered to more conventional renters. They, and the entire McKinley\Avanath team, are passionate about delivering world-class service, providing exceptional results and partnering with qualified non-profit sponsors for support services to create sustainable and welcoming communities.

Currently, the partnership has 21 properties and 3,100 units in eight states under management, with a robust pipeline of opportunities in several states, including additional assets in the Midwest, Southeast and Western states.

First Housing has reviewed a draft management agreement between Avanath Fairmont Oaks, LLC and McKinley, Inc. d/b/a McKinley Properties, Inc., which reflects a management fee of 6% of the gross receipts for each month and contains the appropriate verbiage regarding compliance with tenant income and rent restrictions.

FHF's Asset Management has approved the selection of the management company.

The management contact person, as of the date of this draft, is:

Kenneth P. Polsinelli
McKinley, Inc.
320 N. Main Street, Suite 200
Ann Arbor, MI 48104
Telephone: (734) 769-8520 ext.230
Facsimile: (734) 769-0036

Financial Capability

The New Owner is a newly formed entity incorporated on September 2, 2015, therefore has no financial statements, tax returns, bank and trade references, or contingent liabilities.

The New Owner is wholly owned by Avanath Affordable Housing II, LLC, which was incorporated on June 20, 2013. The underwriter reviewed the 2014 and 2013 Tax Returns and an unaudited quarterly financial statement, dated June 30, 2015. The results of which are detailed below:

Un-audited Balance Sheet June 30, 2015	
Cash and Equivalents	$5,352,062
Total Assets	$251,835,446
Total Liabilities	$187,214,267
Equity	$64,621,179

Economics

First Housing has received a current rent roll, dated as of September 29, 2015, which showed occupancy rate of 90.45%. First Housing also reviewed Florida Housing's occupancy report which showed this property's occupancy rate ranging from 83.15% to 88.76% from January till July 2015, with an average of 86.84% during that period.

The pro forma below was prepared based on First Housing's analysis of and adjustments to (where appropriate) the 2014 audited financial statements for Fairmont Oaks Limited Partnership. The income is increasing by 2.00% annually and expenses are increasing by 3.00% annually. Please note, the first two years the new first mortgage will be interest only payments, and amortizing at a 30 year schedule, thereafter.

Operating Pro Forma

FINANCIAL COSTS:			FHDC Audited 2014	Per Unit	Year 1	Year 1 Per Unit	Year 2	Year 2 Per Unit	Year 3	Year 3 Per Unit
OPERATING PRO FORMA										
INCOME:	Gross Potential Rental Income		1,662,101	**9,338**	$1,695,343	**$9,524**	$1,729,250	**$9,715**	$1,763,835	**$9,909**
	Interest Income		46	**0**	$47	**$0**	$48	**$0**	$49	**$0**
	Miscellaneous		50,600	**284**	$51,612	**$290**	$52,644	**$296**	$53,697	**$302**
	Washer/Dryer Rentals		12,228	**69**	$12,473	**$70**	$12,722	**$71**	$12,976	**$73**
	Gross Potential Income		**1,724,975**	**9,691**	**$1,759,475**	**$9,885**	**$1,794,664**	**$10,082**	**$1,830,557**	**$10,284**
	Less:									
	Non-Revenue Units	Percentage: 5.00%	17,226	**97**	$87,974	**$494**	$89,733	**$504**	$91,528	**$514**
	Physical Vac. Loss	Percentage: 8.00%	140,937	**792**	$140,758	**$791**	$143,573	**$807**	$146,445	**$823**
	Collection/Concession	Percentage: 1.00%	76,498	**430**	$17,595	**$99**	$17,947	**$101**	$18,306	**$103**
Total Effective Gross Income			**1,490,314**	**8,373**	**$1,513,148**	**$8,501**	**$1,543,411**	**$8,671**	**$1,574,279**	**$8,844**
EXPENSES:	Fixed:									
	Real Estate Taxes		123,187	**692**	$126,883	**$713**	$130,689	**$734**	$134,610	**$756**
	Insurance		105,717	**594**	$108,889	**$612**	$112,155	**$630**	$115,520	**$649**
	Variable:									
	Management Fee	Percentage: 4.00%	78,636	**442**	$60,526	**$340**	$61,736	**$347**	$63,589	**$357**
	Payroll Expenses		166,788	**937**	$171,792	**$965**	$176,945	**$994**	$182,254	**$1,024**
	Utilities		72,487	**407**	$74,662	**$419**	$76,901	**$432**	$79,209	**$445**
	Marketing and Advertising		21,789	**122**	$22,443	**$126**	$23,116	**$130**	$23,809	**$134**
	Maintenance and Repairs		125,289	**704**	$129,048	**$725**	$132,919	**$747**	$136,907	**$769**
	Grounds Maintenance and Landscaping		21,000	**118**	$21,630	**$122**	$22,279	**$125**	$22,947	**$129**
	Other		38,895	**219**	$40,062	**$225**	$41,264	**$232**	$42,502	**$239**
	Reserve for Replacements		72,000	**404**	$74,160	**$417**	$76,385	**$429**	$78,676	**$442**
Total Expenses			**825,788**	**4,639**	**$830,092**	**$4,663**	**$854,390**	**$4,800**	**$880,022**	**$4,944**
Net Operating Income			**664,526**	**3,733**	**$683,056**	**$3,837**	**$689,021**	**$3,871**	**$694,258**	**$3,900**
Debt Service Payments										
First Mortgage -			549,420	**3,087**	$314,418	**$1,766**	$314,418	**$1,766**	$443,481	**$2,491**
Other Fees			35,398	**199**	$0	**$0**	$0	**$0**	$0	**$0**
Total Debt Service Payments			**584,818**	**3,285**	**$314,418**	**$1,766**	**$314,418**	**$1,766**	**$443,481**	**$2,491**
Cash Flow after Debt Service			**79,708**	**448**	**$368,638**	**$2,071**	**$374,603**	**$2,105**	**$250,777**	**$1,409**
			Annual		Annual		Annual		Annual	
Debt Service Coverage Ratios										
DSC - First Mortgage			**1.21**		**2.17**		**2.19**		**1.57**	
DSC - All Mortgages and Fees			**1.14**		**2.17**		**2.19**		**1.57**	
Financial Ratios										
Operating Expense Ratio			**55.41%**		**54.86%**		**55.36%**		**55.90%**	
Break-even Economic Occupancy Ratio (all debt)			**81.78%**		**65.05%**		**65.13%**		**72.30%**	

October 15, 2015

Recommendation

Based upon the review of the information submitted by the principals, and within the scope of this analysis as described herein, First Housing recommends approval of the proposed transfer of ownership, and the redemption of the bonds for the subject property.

Conditions

The following is a summary of conditions outlined in this report:

1. New Owner shall agree that through the regulatory affordability period, Florida Housing and their compliance monitoring agent shall have access to the property to perform their management review and physical inspection until the termination of the LURA.

2. Confirmation of approval of transfer of ownership by the bond holder(s).

3. Confirmation, at closing, that all outstanding costs and fees due and owing to FHFC and its assigned professionals are paid.

4. Satisfactory resolution of any outstanding past due and non-compliance items, if applicable.

5. Financing documents must be reviewed and approved by the Credit Underwriter and Counsel before closing.

6. Florida Housing's approval to delete the requirement in the LURA that utilities be separately metered for each unit.

7. Subordination of the LURA to the new first mortgage.

8. Verification that all Insurance Certificates are current and acceptable to Servicer and FHFC.

9. Review and approval of all loan documents consistent with the terms outlined above by Florida Housing and its legal counsel.

10. 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)

11. Execute any and all assignment and assumption documents that FHFC deems necessary to effectuate the transfer, including any existing guarantees as determined by FHFC.

12. Prepayment of any required Servicing Fees and Compliance Monitoring Fees.

13. Receipt of a non-refundable MMRB assumption and transfer fee of $2,500.

14. Any other requirements of FHFC, its legal counsel, and servicer.

Prepared by:

Thais Pepe

Thais Pepe, Senior Credit Underwriter

Reviewed by:

Ed Busansky, Senior Vice President