SELTZER MANAGEMENT GROUP, INC.

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July 13, 2017

VIA EMAIL

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

Re: Cameron Creek Apartments (SAIL 2002-052S/4% HC 2000-016C)

Transfer of Ownership/Release of Existing Guarantors/First Mortgage Refinancing/SAIL Terms Renegotiation/Assumption and Subordination of SAIL Documents and ELIHA

Dear Mr. Fowler:

On your behalf, Seltzer Management Group, Inc. (“SMG”, “Seltzer” or “Servicer”)) has reviewed a request dated June 20, 2017, from a representative of Cameron Creek, Ltd. (“Cameron”, “Mortgagor” or “Borrower”), requesting Florida Housing Finance Corporation (“FHFC”, “Florida Housing” or “Mortgagee”) to consent to the transfer of the ownership of Cameron Creek Apartments (the “Subject Development”) to entities affiliated with Lincoln Avenue Capital LLC (“Lincoln” or “LAC”), assumption of the State Apartment Incentive Loan (“SAIL”) Documents and Extended Low Income Housing Agreement (“ELIHA”) and the release of the existing Guarantors from various guarantees and replaced with new Guarantors. Specifically, SMG has been requested to determine that LAC affiliated entities (or its underlying principal owners) have the prerequisite financial strength and experience to successfully own and operate the Subject Development. The letter also requested that FHFC approve the refinancing of the Subject Development via a bridge loan to facilitate the purchase which requires the subordination of the existing SAIL Documents and ELIHA and extension of the SAIL maturity date.

Various provisions within the SAIL Documents require that the transfer of ownership by Mortgagor must receive prior written consent from Mortgagee.

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

1. Correspondence seeking Florida Housing’s consent of the request outlined above
2. Housing Credit (“HC”) Credit Underwriting Report (“CUR”), dated September 18, 2001
3. SAIL CUR, dated January 7, 2003
4. SAIL Promissory Note and Mortgage and Security Agreement, both dated March 26, 2003
5. SAIL Land Use Regulatory Agreement (“LURA”), dated March 26, 2003
6. ELIHA, dated July 24, 2002
7. Borrower Audited Financial Statements, prepared by Tidwell Group, LLC, for the years ending December 31, 2016 and 2015, respectively
8. Source and Use of Funds Schedule
9. Agreement for Purchase and Sale of Partnership Interests (“PSA”), dated June 5, 2017 (“Effective Date”)
10. Assignment of PSA (“Assignment”), dated June 19, 2017
11. A refinancing term sheet from National Equity Fund (“NEF”), dated May 12, 2017
12. Full Narrative Appraisal Report, dated June 5, 2017, prepared by Gill Group (“Gill”) of Dexter, Missouri
13. FHFC Occupancy Reports

Mr. Todd Fowler
Cameron Creek Apartments
July 13, 2017
Page 2

14. Annual Compliance Review and Physical Inspection, dated January 10, 2017
15. FHFC Past Due Report, dated May 18, 2017
16. FHFC Noncompliance Report, dated May 18, 2017
17. Proposed Organizational Chart reflecting new ownership entities and their principal owners
18. For the New Borrower, Cameron Creek Preservation, Ltd. (“New Borrower”)
    - State of Florida Registration and Certificate of Limited Partnership
    - Operating Agreement
19. For the new General Partner, Cameron Creek GP LLC (“New GP”)
    - State of Florida Registration and Certificate of Limited Liability Company
    - Operating Agreement
20. For the sole member of the New GP, LAC
    - State of Delaware Registration and Certificate of Limited Liability Company
    - Operating Agreement
21. For Members of New GP, Jonathan A. Gruskin and Eli M. Bronfman, individually, and Matthew Bronfman Family Edgar Miles Bronfman Trust (“EMBT”)
    - Certified prepared financial statements, dated June 29, 2017, as well as tax returns for the years ending 2015 and 2014 and application for 2016 extension
    - Resume, trade references, Multifamily Ownership and Loan History, Schedule of Real Estate Owned and Contingent Liabilities, and Statement of Financial/Credit Affairs

In addition, SMG has had various conversations with FHFC Staff and representatives of the New Borrower regarding the requests described above.

Our findings are as follows:

Background

The Subject Development is a family development located at 1720 NW 3rd Terrace, Florida City, Miami-Dade County, Florida, consisting of 148 multifamily rental apartment units located in nine residential buildings, plus a clubhouse.

Cameron was formed in January 2000. The General Partner was Cameron Creek, Inc. (“Original GP”) with a 0.01% partnership interest. The Investor Limited Partner is Centerline/Fleet Housing Partnership, L.P. (“Centerline LP”) with a 99.98% partnership interest and the Special Limited Partner is Related Capital Housing Partnership SLP, L.P. (Related SLP”), with a 0.01% partnership interest. Centerline LP and Related SLP are both entities affiliated with Alden Torch Financial (“ATF”).The Subject Development was developed by The Carlisle Group, LLC.

SMG understands that in early 2017, the Original GP was replaced for cause, as defined by the Limited Partner Agreement, by an entity affiliated with ATF, Alden GP – FL, LLC (“Alden GP”).

The Subject Development received a first mortgage loan in the amount of $2,800,000 funded from Neighborhood Lending Partners of South Florida, Inc. (“NLP”) Terms of the loan include a March 7, 2018, fixed interest rate of 6.95, and monthly principal and interest payment of $18,352 (or $220,224 annually. Current annual principal and interest payments total $359,088. The principal balance, as of December 31, 2016, was $2,136,449.

The Subject Development closed on the SAIL in the amount of $1,125,000 on March 26, 2003. The loan has an interest rate of 3% per annum on the outstanding principal balance in which annual interest payments are based on available cash flow (“ACF”). All required fees are paid annually. All outstanding unpaid interest and principal are due at maturity, March 26, 2018. The outstanding principal balance of the SAIL is $1,125,000. Accrued interest payable, as of December 31, 2016, totaled $33,780. Assuming an August 31, 2017 closing, SAIL interest of approximately $56,280 will be due.

Other funding sources included a Miami-Dade County SHIP ("SHIP I") loan, another Miami-Dade SHIP II ("SHIP II loan), equity derived from the sale 9% Housing Credits ("HC") and deferred Developer fee.

The SHIP I loan bore no interest before August 1, 2016 ("Conversion Date'). From the Conversion Date until the August 1, 2031 maturity date, interest will accrue at 3.0% and annual principal and interest payments of $35,713 will be due. As of December 31, 2016, the outstanding loan balance was $700,000 and accrued interest totaled $168,000.

The SHIP II loan bore no interest before December 1, 2016 ("Conversion Date'). From the Conversion Date until the December 1, 2031 maturity date, interest will accrue at 3.0% and annual principal and interest payments of $25,296 will be due. As of December 31, 2016, the outstanding loan balance was $500,000 and accrued interest totaled $120,000.

The Borrower's Audited Financial Statements did not reflect any going concern comments. The financial statements reflect that the Subject Development generated sufficient income to meet operating expenses and to service all the mortgage debt and related fees. Total assets exceed total liabilities resulting in positive partners' equity.

Operation of the Subject Development is restricted by terms and conditions detailed in various loan documents, including but not limited to the SAIL LURA and ELIHA. Set asides for the ELIHA are 16.2% of the units (24 units) at 33% of Area Median Income ("AMI") and 83.8% of the units (remaining units) at 60% or less of AMI for 50 years. The SAIL set asides are 16.22% of the units (24 units) at 35% or less of AMI, 14.19% of the units (21 units) at 50% or less of the AMI and 66.59% of the units (remaining units) at 60% or less of AMI for 50 years.

As of April 30, 2017, the Subject Development reported occupancy at a rate of 97.3%. Average occupancy for the first four (4) months of 2017 was 97.8%. Average occupancy for 2016 was 95%.

The most recent Management Review and Physical Inspection noted a unit inspection violation. This issue was subsequently resolved and the review was closed out on February 1, 2017.

The FHFC Noncompliance Report lists a Carlisle property, Country Manor, as in noncompliance for failure to meet the Farmworker categorical set aside requirement and failure to complete first anniversary recertification.

The FHFC Past Due Report reports the following Carlisle properties for failure to make required SAIL interest payments, Country Manor, Country Walk, Orchard Park, Sunrise Villas, and Summer Lake Apartments. In addition, three other Carlisle properties, Brownsville Transit Village II, Everett Stewart Sr. Village and Metro Apartments, are reported for failure to make late fee payments related to timely submission of 2016 Audited Financial statements and SR-1 forms.

<u>Ownership Transfer</u>

The PSA is between Cameron, as Seller, and LAC, as Purchaser, for a purchase price of $9,125,463. The closing date is scheduled 60-days from the Effective Date with an additional 30-day extension available. The Assignment conveys the PSA from LAC to the New Borrower.

The New Borrower is a Florida Limited Partnership registered with the State of Florida on June 13, 2017. The New GP is a Florida Limited Liability Company registered with the State of Florida on June 18, 2017. As newly formed entities, the New Borrower and New GP have no financial statements, trade references, previous multifamily ownership history or contingent liabilities. The proposed Asset Manager of the Subject Property is LAC.

The sole member of the New GP is LAC. LAC is a Delaware Limited Liability Company registered with the State of Florida on May 31, 2016. Copies of the Certification of Formation and Operating Agreement have been provided for LAC. The managers of LAC are Jeremy S. Bronfman and Eli M. Bronfman. LAC is comprised of Class A and Class B members, with Class A owning 80% of LAC and Class B owning the remaining 20%. LAC's Class A members include: JSB holding 45% ownership, Eli M. Bronfman holding 30%, EMBT holding 25%. Jonathan A. Gruskin is a 100% owner of a Class B member. JSB, a Delaware limited liability company, was formed June 9, 2016, whose sole member is Jeremy Samuel Bronfman 1989 Trust. Jeremy S. Bronfman is a Trustee and beneficiary of the Jeremy Samuel Bronfman 1989 Trust. EMBT is a Delaware Trust for the benefit of Matthew Bronfman and his children. The original Trust from which the EMBT succeeds, was created during World War II by Samuel Bronfman, the patriarch of the Bronfman Family. Current Trustees for the Trust are: Adam R. Bronfman, Edgar Bronfman Jr., Matthew Bronfman, Mayo Shattuck III, and Almog Geva.

LAC is a dedicated real estate operation with a particular focus on Affordable Housing in the United States. LAC has recent experience as General Partner for two Nevada properties representing 444 units and two Florida developments (Cabana Club Apartments – in process and Logan Heights Apartments) as General Partner and Developer totaling 692 units.

Jonathan Gruskin is a Managing Director at LAC. Prior to joining LAC, Mr. Gruskin worked at The Related Companies, where he focused on strategically positioning affordable properties in the company's legacy portfolio to maximize long-term wealth creation through tax credit re-syndications, refinancings and dispositions. In this role he managed all aspects of tax credit transactions, including financial structuring, lender and syndicator selection, document negotiations, managing regulatory and local government issues, HAP contract renewals, and project management during the renovation phase. Before his tenure at Related, Mr. Gruskin worked for Citigroup Global Markets as an investment banking analyst in the public infrastructure group, where he focused on structuring, marketing and underwriting project finance tax exempt bonds.

Financial Statements for Eli M. Bronfman, Jeremy S. Bronfman, and Jonathan A. Gruskin, individually, and EMBT reflect significant liquidity and net worth.

Refinancing Overview

SMG has received a preliminary term sheet from NEF for first mortgage loan acquisition financing in an amount up to $8,205,000. Terms include a 4.93% interest rate, one-year maturity, and monthly interest only payments of $25,940, or $311,280 annually. This amount is less than the actual monthly interest expense. The difference will be paid from available cash flow (quarterly) with any unpaid accrued interest and principal payable at maturity. An acquisition fee of $100,000 is payable at closing and a disposition and discharge fees of $75,000 and $25,000, respectively, are payable at maturity. NEF will require FHFC to execute Subordination Agreements for SAIL and ELIHA, as applicable, to certain NEF documents and the SAIL maturity be extended to be coterminous with the NEF loan.

It is anticipated that prior to or concurrent with the maturity of the NEF loan, the Subject Development will be re-financed with a HUD loan and the syndication of "in kind" 4% HC. At that time, the New Borrower has agreed to full payment of the outstanding SAIL, which the Borrower expects to occur in the fourth quarter of 2017 or the first quarter of 2018.

Based on a review of historical operating results, SMG has concluded a net operating income estimate (including annual replacement reserve deposits of $350 per unit per year) in the amount of $502,979. The resulting combined debt service coverage ("DSC") ratio for the first mortgage loan and SAIL is calculated at 1.62 to 1.00 which meets minimum FHFC DSC underwriting requirements. This calculation assumes that the NEF loan only is superior to the SAIL.

The Gill appraisal concludes an "as is" restricted value of $11,890,000 which results in first mortgage only and combined (first mortgage loan and SAIL) Loan to Value ("LTV") ratios of 69.01% and 78.47%, respectively, which meet minimum FHFC LTV underwriting requirements.

Overall Sources and Uses of Funds

The Borrower has provided SMG with an estimate of the overall sources and uses of funds:

Mr. Todd Fowler
Cameron Creek Apartments
July 13, 2017
Page 5

Sources			
NEF		$ 8,205,000	
FHFC SAIL Assumption		$ 1,125,000	
Borrower Equity		$ 22,213	
Total Sources			$ 9,352,213
Uses			
Purchase Price		$ 9,125,463	
SAIL Pay down		$ -	
SAIL Renegotiation Fee		$ 5,625	
SAIL Transfer and Assumption Fee		$ 1,125	
Borrower Legal Fees		$ 20,000	
Third Party Reports		$ 30,000	
Title and Recording		$ 40,000	
Acquisition Fee		$ 100,000	
Contingency		$ 30,000	
Total Uses			$ 9,352,213

The SHIP I and SHIP II loans will be repaid by the Seller prior to or concurrent with closing and will not be assumed. Any accrued and unpaid SAIL interest through the sales date will be paid by Seller and has not been included above. SAIL Renegotiation and Transfer fees are based on the assumed SAIL principal amount. The remaining costs are based on estimates provided by LAC, which appear reasonable at this time.

Summary and Recommendation

Seltzer's review indicates that the New Borrower through its principal owners and affiliated companies has the prerequisite financial strength and experience to successfully own and operate the Subject Development. Further, Seltzer concludes that the restructuring meets Florida Housing's underwriting standards.

Therefore, SMG recommends that FHFC consent to and approve the transfer of ownership to the New Borrower, assumption of the SAIL Documents and ELIHA, the restructuring of the above referenced transaction which includes the refinancing of the existing first mortgage loan, extension of the SAIL maturity date, subordination of the SAIL Documents, and ELIHA (as applicable) to the new first mortgage loan, all of which meet the requirements of the new first mortgage lender, renegotiation of SAIL terms and release of the existing Guarantors and the replacement with the new Guarantors, and modification of any other loan documents required to effectuate the restructuring, subject to the following:

- Review of final first mortgage bridge loan terms and confirmation that FHFC underwriting standards have been met
- New Borrower and its entities and principals (if applicable) as well as the withdrawing entities to execute any assignment and assumption documents FHFC deems necessary to effectuate the ownership change including, but not limited to, new and existing guarantees as determined by FHFC
- 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 Rule 67-48.0075 (5) F.A.C., of an Applicant or a Developer)

- Payment of 3% SAIL accrued interest
- Receipt of a non-refundable transfer and assumption fee equal to one-tenth of one percent of the SAIL principal balance on the date of closing
- Receipt of a non-refundable renegotiation fee equal to ½ of one percent of the SAIL principal balance on the date of closing
- Consent of the current limited partner (if applicable)
- Review and approval of all loan documents consistent with the terms outlined above by Florida Housing and its legal counsel
- Prepayment of any required compliance monitoring fees and servicing fees
- Confirmation of refinancing fees and closing costs prior to closing
- Satisfactory resolution of any noncompliance and/or past due items
- Repayment in full of SAIL at the time of re-financing of the NEF first mortgage and syndication of HC but no later than the extended maturity of the SAIL
- 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.

Benjamin S. Johnson
President