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# **Florida Housing Finance Corporation**

*Credit Underwriting Report*

## **Mariner's Cove Apartments**

*SAIL and HC Programs*

2002-043S

2002-530C

**Section A Board Summary**

**Section B SAIL Loan Commitment Conditions and HC Allocation Contingencies**

**Section C Supporting Information and Schedules**

*Prepared by*

***Seltzer Management Group, Inc.***

*Final Report*

*August 22 2003*

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## COMPLETENESS AND ISSUES CHECKLIST

### DEVELOPMENT

**NAME:** Mariner's Cove Apartments

**DATE:** August 22, 2003

In accordance with applicable Program Rule(s), Applicant is required to submit the information required to evaluate, complete, and determine its sufficiency in satisfying the requirements for Credit Underwriting to the Credit Underwriter in accordance with the schedule established by Florida Housing Finance Corporation ("Florida Housing" or "FHFC"). The following items must be satisfactorily addressed. "Satisfactorily" means that the Credit Underwriter has received assurances from third parties unrelated to the Applicant that the transaction can close within the allowed time frame. Unsatisfactory items, if any, are noted below and in the "Issues and Concerns" section of the Executive Summary.

FINAL REVIEW REQUIRED ITEMS:	STATUS	NOTE
	Satis. / Unsatis.	
1. The development's final "as submitted for permitting" plans and specifications.  Note: Final "signed, sealed, and approved for construction" plans and specifications will be required thirty days before closing.	Satis.	
2. Final site plan and status of site plan approval.	Satis.	
3. Permit Status.	Satis.	
4. Pre-construction analysis ("PCA").	Satis.	
5. Survey.	Satis.	
6. Complete, thorough soil test reports.	Satis.	
7. Full or self-contained appraisal as defined by the Uniform Standards of Professional Appraisal Practice.	Satis.	
8. Market Study separate from the Appraisal.	Satis.	
9. Environmental Site Assessment - Phase I and/or Phase II if applicable (If Phase I and/or II disclosed environmental problems requiring remediation, a plan, including time frame and cost, for the remediation is required). If the report is not dated within one year of the application date, an update from the assessor must be provided indicating the current environmental status.	Satis.	

<b>FINAL REVIEW REQUIRED ITEMS:</b>	<b>STATUS</b>	<b>NOTE</b>
10. Audited financial statements for the most recent fiscal year ended or acceptable alternative as stated in Rule for credit enhancers applicant, general partner, principals and general contractor.	Satis.	
11. Resumes and experience of applicant, general contractor and management agent.	Satis.	
12. Credit authorizations; verifications of deposits and mortgage loans.	Satis.	
13. Management Agreement and Management Plan.	Satis.	
14. Firm commitment from the credit enhancer or private placement purchaser, if any.	Satis.	
15. Firm commitment letter from the syndicator, if any.	Satis.	
16. Firm commitment letter(s) for any other financing sources.	Satis.	
17. Updated sources and uses of funds.	Satis.	
18. Draft construction draw schedule showing sources of funds during each month of the construction and lease-up period.	Satis.	
19. Fifteen-year income, expense, and occupancy projection.	Satis.	
20. Executed general construction contract with "not to exceed" costs.	Satis.	
21. Any additional items required by the credit underwriter.	Satis.	

Revised 11/04/02

Notes and Applicant's Responses:

None.

## CHANGES FROM THE APPLICATION

COMPARISON CRITERIA	YES	NO
Does the level of experience of the current team equal or exceed that of the team described in the application?	x	
Are all funding sources the same as shown in the Application?	x	
Are all local government recommendations/contributions still in place at the level described in the Application?	n/a	
Is the Development feasible with all amenities/features listed in the Application?	x	
Do the site plans/architectural drawings account for all amenities/features listed in the Application?	x	
Does the Applicant have site control at or above the level indicated in the Application?	x	
Does the Applicant have adequate zoning as indicated in the Application?	x	
Has the Development been evaluated for feasibility using the total length of set-aside committed to in the Application?	x	
Have the Development costs remained equal to or less than those listed in the Application?		1
Is the Development feasible using the set-asides committed to in the Application?	x	
If the Development has committed to serve a special target group (e.g. elderly, large family, etc.), do the development and operating plans contain specific provisions for implementation?	x	
HOME ONLY: If points were given for match funds, is the match percentage the same as or greater than that indicated in the Application?	n/a	
HC ONLY: Is the rate of syndication the same as or greater than that shown in the Application?	x	
Is the Development in all other material respects the same as presented in the Application?	x	

The following are explanations of each item checked "No" in the table above:

1. Development Costs:

Development Costs increased \$429,291 (2.52%), from \$17,053,235 to \$17,482,526, primarily reflecting:

- a. A \$212,000 (40.93%) increase in Capitalized Interest ("Cap I") reflecting the \$730,000 escrowed at the Housing Authority of Hillsborough County Multifamily Mortgage

Revenue Bond ("MMRB") closing July 1, 2002. Mariner's Associates, Ltd. ("Applicant") budgeted \$518,000 for Cap I in the State Apartment Incentive Loan ("SAIL") Application.

- b. Applicant's increase to the Development Budget for Credit Enhancement costs; \$63,883 for the Construction/Stabilization Phase and \$214,789 for the Permanent/Amortization Period (67.50% and 54.60%, respectively).
- c. Applicant's prepayment of Replacement Reserves in the amount of \$41,600 (one-half the required Replacement Reserves for Years 1 and 2).
- d. Applicant adding a line item for Property Insurance to the Development Budget, with \$76,960 budgeted.
- e. Applicant's \$40,543 (54.06%) increase in the Development Budget for Clubhouse Furniture.
- f. Applicant's increase of \$40,000 (33.33%) in the Marketing and Advertising Budget.
- g. Applicant's increase in Developer Fees of \$333,209 (15.79%) corresponding to other increases in the Development Budget. At the current budgeted figure of \$2,444,000, the Developer Fee is 17.88% of Development Costs before Land and Developer Fee.

Offsetting these increases were:

- a. Decreases of \$298,660 (88.20%) in Impact Fees and \$60,436 (18.82%) in Utility Connection Fees.
- b. A decrease of \$380,000 (21.71%) in total Land Acquisition Costs. The Closing took place July 18, 2002, with the Warranty Deed recorded July 23, 2002. Applicant incurred \$70,000 in Extension Fees, but it had budgeted \$450,000 for Extension Fees (through December 31, 2002).

**Section A**  
**Board Summary**

## Executive Summary

This is a Seltzer Management Group, Inc. ("Seltzer" or "SMG"), State Apartment Incentive Loan ("SAIL") and Low Income Housing Tax Credit ("HC") Credit Underwriting Report for Mariner's Cove, a new multifamily property to be located 9314 E. Martin Luther King Boulevard (SR 574) in unincorporated Hillsborough County, Tampa, FL, 33610.

Mariner's Associates, Ltd. ("Applicant") closed on a Multifamily Mortgage Revenue Bond ("MMRB") First Mortgage construction/permanent loan from the Housing Authority of Hillsborough County ("HCHFA") July 1, 2002. SMG provided Credit Underwriting services to HCHFA relating to the MMRB Loan.

The subject development will consist of 208 units in 11 three-story residential buildings, plus a Clubhouse, a Maintenance Building, a Guardhouse and a Mail Kiosk. Final, signed and sealed Plans and Specifications reflect 416 parking spaces, of which 13 are handicap spaces.

A Notice of Commencement was filed in Hillsborough County on July 23, 2002. The Construction Contract specifies Construction Completion within twelve months. SMG received copies of Certificates of Occupancy ("C/Os") for the Clubhouse and all residential buildings, with the latest C/O dated June 18, 2003. The Architect approved the General Contractor's June 24, 2003, Application and Certificate for Payment for all payments due under the Construction Contract with the exception of Retainage in the amount of \$530,500. Based upon demographic and market analysis, including existing and proposed developments, the Appraiser anticipates Mariner's Cove to achieve an absorption rate of 23 units per month, with Stabilized Occupancy expected in November 2003. Applicant provided a Rent Roll dated July 20, 2003, reflecting 119 units occupied (57%) and reported 70 of the units leased as of July 29th. Lease-up is proceeding in accordance with the Appraiser's Absorption Analysis.

### Ownership Structure:

Applicant is a Limited Partnership registered with the State of Florida September 24, 2001. It was formed to develop and own Mariner's Cove Apartments. The General Partner of Applicant (with a 0.01% ownership interest) is Cornerstone Mariner's Cove L.L.C. ("GP"), a Florida Limited Liability Company registered with the State September 21, 2001. The owner/members of GP are JL Holding Corp. ("JL Holding"), a Florida Corporation controlled by Jorge Lopez (50%), the Stuart I. Meyers Family Partnership, Ltd. ("Meyers Family"), a Florida Limited Partnership (30%), M3, Inc. ("M3"), a Florida Corporation controlled by Leon J. Wolfe (10%) and MSM, Inc. ("MSM"), a Florida Corporation controlled by Mara S. Mades (10%).

Per a First Amended and Restated Agreement of Limited Partnership dated July 1, 2002, the current Limited Partners of Applicant are Lend Lease Mariner's Cove, L.L.C. ("LLMC"), Boston, MA, an affiliate of MMA Financial, L.L.C. ("MMA"), Boston, MA, successor to Lend Lease Real Estate Investments Limited Partnership, at 99.99% and SLP, Inc. ("Special Limited Partner"), Boston, MA, at 0.00%. They replaced the original Limited Partners, Mr. Lopez at 49.995% and Meyers Family at 49.995%.

The Developer is Cornerstone Group Development, L.L.C., Coral Gables, FL. The General Contractor is Alliance Construction, L.L.C. ("Alliance"), and the Property Manager is Cornerstone Residential Management, L.L.C. They are related companies, and all are owned

50% by JL Holding 30% by SIM Interests, Inc. (SIM), a Florida Corporation controlled by Stuart I. Meyers, 10% by M3 and 10% by MSM.

Applicant and its Principals have sufficient experience and financial resources to develop, construct and operate the proposed development.

SAIL Loan:

Applicant has applied to Florida Housing Finance Corporation ("Florida Housing" or "FHFC") for a \$2,000,000 SAIL Loan to provide construction/permanent financing for the subject development.

The SAIL Loan, co-terminus with the MMRB First Mortgage Loan from HCHFA as permitted by SAIL Rule and per an August 6, 2003, Request Letter from MMA, will have a term up to 40 years. The SAIL Loan will be non-amortizing and will bear a 3% simple interest per annum. Annual payments of all applicable fees will be required. In addition and to the extent that development cash flow is available, interest payments at the 3% base rate will be required. Any unpaid interest will be deferred until cash flow is available. At the maturity of the SAIL loan, however, all principal and unpaid interest will be due. Seltzer's Credit Underwriting assumes SAIL interest payments at 3.309% (the base rate plus applicable fees).

Construction of the subject development is complete. No SAIL Loan funds were available during construction. \$1,475,000 of the SAIL Loan proceeds will be used to reduce outstanding Taxable Bonds as allowed under the MMRB Trust Indenture, with the remaining \$525,000 going to pay Deferred Developer Fees.

HC Equity:

Based upon a First Amended and Restated Agreement for Limited Partnership, LLMC became the 99.99% Limited Partner. With \$4,988,761 of Syndicated HC and a Syndication Rate of \$0.820, the Limited Partnership generated a Net Equity Contribution of \$4,090,000. Of this amount, \$2,019,000 was advanced upon admission to the Limited Partnership, which satisfied the FHFC requirement that a minimum of 50% of the \$3,323,526 in HC Equity required during construction (and assuming the deferral of all available Developer Fees) be funded by MMRB Loan closing. Subsequent installments during the construction phase included \$706,650 at the later of 50% completion or six months after admission and \$706,650 at the later of the final Construction Draw, 75% completion or twelve months after admission. \$320,000 is to be funded at 100% completion, \$193,824 at Final Closing or HC Determination and \$143,876 at the later of six months Debt Service Coverage ("DSC") at 1.12 or Form(s) 8609.

Other Financing Sources:

Additional Sources of Funds for the subject development include a MMRB First Mortgage construction/permanent loan from HCHFA and Deferred Developer Fees.

1. MMRB Loan:

Applicant received MMRB First Mortgage construction/permanent financing from HCHFA in the form of \$8,515,000 in Tax-Exempt Bonds and \$3,200,000 in Taxable Bonds, Credit Enhanced by the Florida Housing Finance Corporation Affordable Housing Guarantee Fund ("Guarantee Fund") in concert with the United States Department of Housing and Urban Development ("HUD") Risk Sharing Program. The Credit Enhancement structure was designed to impart an "AAA" bond rating. The Guarantee Fund requires a Debt Service Reserve ("DSR") of six months Debt Service. Applicant can meet the DSR Requirement



through funding at MMRB Loan closing (with the account to be administered by the Bond Trustee) or posting a Surety Bond acceptable to FHFC in form and substance. Seltzer's analysis reflects Applicant's choice of a Surety Bond. The current Total and Net MMRB Loan amount is \$11,715,000.

MMRB Loan closing took place July 1, 2002. Terms and conditions of the MMRB Loan include a term up to 40 years (a 38.75-year permanent/amortization period following a construction/stabilization phase of up to fifteen months). The scheduled Conversion Date is November 15, 2003 in accordance with the terms of the Note. The MMRB Loan has a fixed interest rate and requires a DSC of not less than 1.10 to 1.00 (including scheduled MMRB Loan principal and interest payments, a FHFC Guarantee Fund fee of 0.500%, a HUD Risk Sharing fee of 0.250%, an Insurance Wrap fee of 0.055%, a HCHFA Issuer fee of 0.20%, a Bond Trustee fee of 0.05% and FHFC-required servicing fees (e.g., Permanent Servicing at 0.045%, Compliance Monitoring at 0.04% and Financial Monitoring at 0.015%). Base rates for the Tax-Exempt and Taxable Bonds at MMRB Loan closing were 5.525% and 6.628%, with "all in" rates of 6.680% and a 7.783%.

\$1,475,000 of the SAIL Loan proceeds should be used to retire Taxable Bonds per William R. Hough & Co., the Bond Underwriter. The Total MMRB Loan following retirement will be \$10,240,000, consisting of \$8,515,000 in Tax-Exempt Bonds and \$1,725,000 in Taxable Bonds. The weighted average "all in" rate for the MMRB Loan will be 6.880%.

The MMRB Loan will be secured by a First Mortgage on Mariner's Cove and a First Security Interest in all Personalty of the subject development. Replacement Reserves of \$200 per unit per year are normally required, however Applicant elected to prepay Replacement Reserves in the amount of \$41,600 (one-half the required Replacement Reserves for Years One and Two). Replacement Reserves to be funded from Operations will be \$100 per unit per year for Years One and Two, followed by \$200 per unit per year thereafter. An inflation factor based upon the Consumer Price Index will be applied to the Replacement Reserve deposit beginning in Year Seven, unless waived or reduced in the event Obligor provides a Physical Needs Study prepared by an independent third party acceptable to the Guarantee Fund that evidences an increase in the annual deposit is excessive or unnecessary. Monthly deposits to an Escrow for Property Taxes and Insurance are also required.

## 2. Deferred Developer Fees:

SMG calculates Deferred Developer Fees of \$2,335,226 during construction to balance the Sources and Uses of Funds after receipt of all available MMRB and SAIL Loan proceeds plus HC Equity.

Deferred Developer Fees of \$1,152,526 will be required during the permanent/amortization period.

## Additional Information:

### Market Area:

1. The subject property is located in the northwestern portion of the Brandon, FL, sub-market, which is on the northeastern fringe of the Tampa-St. Petersburg-Clearwater MSA. Mariner's Cove will be situated on the north side of Martin Luther King Boulevard, approximately one mile west of I-75 and 1/2 mile east of U.S. Highway 301. There is little development of any

kind to the north, and most of the development to the south is Office/Industrial Park uses within a one-mile radius of the subject property. Population growth in the area has been southeast of the subject property, within the city limits of Brandon. Existing multifamily properties are centered in Brandon, two to five miles south and southeast of the development site. The Market Study dated March 9, 2002, reflected overall occupancy in Brandon at 95.4%, however six Affordable properties averaged 96.7%. The only apartment property in the immediate vicinity is Sabal Park Apartments, a 252-unit Market Rate development located west of and adjacent to the subject property. There are presently no Affordable Housing communities in the northwestern portion of the Brandon sub-market. An updated Appraisal dated April 21, 2003, projects Maximum HC Rents for Mariner's Cove and Absorption Rate of 23 units per month.

Issues and Concerns:

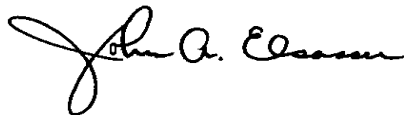
None.

Recommendation:

1. SMG recommends FHFC approve a \$2,000,000 SAIL Loan for the subject development.
2. SMG recommends an annual HC allocation up to \$522,023 be awarded to Mariner's Cove based upon Qualified Basis.

Seltzer's recommendations are based upon the assumptions detailed in this Credit Underwriting Report and subject to the SAIL Loan Commitment Conditions and Housing Credit Allocation Contingencies outlined in Section B.

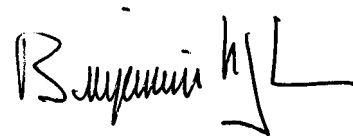
Prepared by:



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John A. Elsasser  
Credit Underwriter

Reviewed by:



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Benjamin S. Johnson  
President

## Mariner's Cove Apartments

**SAIL Loan Recommendation** **\$2,000,000**

Annual HC per Qualified Basis: \$522,023

Annual HC per Gap Calculation: \$639,519

**HC Recommendation:** **\$522,023**

<u>Development Type</u>	<u>Set Asides</u>	<u>Set Aside Term</u>
New Construction	11% at 50% AMI 89% at 60% AMI (SAIL) 100% at 60% AMI (HC)	50 Years (SAIL and HC)
<u>Demographic Commitment</u>	<u>Mortgagor</u>	<u>Principals</u>
Large Family (SAIL and HC)	Mariner's Associates Ltd.	Jorge Lopez, Stuart I. Meyers, Leon J. Wolfe and Mara S. Mades
<u>Developer</u>	<u>Syndicator</u>	<u>HC Syndication Rate</u>
Cornerstone Group Development, L.L.C.	Lend Lease Mariner's Cove, L.L.C.	\$0.820
<u>Site Area</u>	<u>Density</u>	<u>Zoning</u>
11.93 acres	17.44 units per gross acre	PD (Planned Development) up to 210 units
<u>Net Operating Income</u>	<u>Appraised Value</u>	<u>Total Development Cost</u>
\$906,462	\$12,900,000 "Market Rents and Market Financing" \$12,800,000 "Restricted Rents and Favorable Financing"	\$17,482,526

## Rent Roll

MSA/County: Tampa-St. Petersburg-Clearwater/Hillsborough

Bed-rooms	Baths	No. of Units	Unit Size (SF)	Median Income %	Max Gross HC Rents	Utility Allowance	Max Net HC Rents	Applicant Rents	Underwriter Rents	Annual Rents
1	1	3	709	50%	473	\$43	\$430	\$430	\$430	\$15,480
1	1	21	709	60%	568	\$43	\$525	\$525	\$525	\$132,300
2	2	11	969	50%	568	\$51	\$517	\$517	\$517	\$68,244
2	2	89	969	60%	682	\$51	\$631	\$631	\$631	\$673,908
3	2	9	1,156	50%	656	\$67	\$589	\$589	\$589	\$63,612
3	2	75	1,156	60%	787	\$67	\$720	\$720	\$720	\$648,000
<b>Totals</b>		<b>208</b>	<b>211,020</b>							<b>\$1,601,544</b>

## Sources of Funds

Source	Lender	Application	Revised Applicant	Underwriter	Interest Rate	Amort. Yrs.	Term Yrs.	Annual Debt Service
Tax-Exempt Bonds	HCHFA	\$8,515,000	\$8,515,000	\$8,515,000	6.880%	38.75	40	\$629,968
Taxable Bonds	HCHFA	\$2,000,000	\$1,840,000	\$1,725,000	6.880%	38.75	40	\$127,621
SAIL Loan	FHFC	\$2,000,000	\$2,000,000	\$2,000,000	3.309%	n/a	40	\$66,180
Housing Credit Equity	LLREI	\$4,038,000	\$4,038,000	\$4,090,000				
Deferred Developer Fee	Cornerstone	\$500,235	\$1,056,401	\$1,152,526				
<b>Total</b>		<b>\$17,053,235</b>	<b>\$17,449,401</b>	<b>\$17,482,526</b>				<b>\$823,770</b>

## Ratios

### Loan To Value<sup>1</sup>

95.63% "Restricted Rents and Favorable Financing"

94.88% "Market Rents and Market Financing"

### SAIL Loan To Cost<sup>2</sup>

11.44%

### Debt Service Coverage

1.100 Combined SAIL Loan and MMRB First Mortgage Loan

1.100 All Mortgages Combined

### SAIL Loan Per Unit<sup>2</sup>

\$9,615

### Total Cost Per Unit

\$84,051

### FHFC Assistance Per Unit<sup>2</sup>

\$9,615

<sup>1</sup> Based upon the total of the SAIL Loan and the revised MMRB First Mortgage Loan from HCHFA

<sup>2</sup> Based upon the SAIL Loan recommended

## Construction Financing Sources

Source	Lender	Application	Revised Applicant	Underwriter	Interest Rate	Construction Debt Service
Tax-Exempt Bonds	HCHFA	\$8,515,000	\$8,515,000	\$8,515,000	6.580%	\$319,364
Taxable Bonds	HCHFA	\$3,200,000	\$3,200,000	\$3,200,000	7.683%	\$140,138
SAIL Loan	FHFC	\$0	\$0	\$0	n/a	\$0
Housing Credit Equity	LLREI	\$3,432,300	\$3,432,300	\$3,432,300		
Deferred Developer Fees	Cornerstone	\$1,905,935	\$2,302,101	\$2,335,226		
<b>Total</b>		<b>\$17,053,235</b>	<b>\$17,449,401</b>	<b>\$17,482,526</b>		<b>\$459,502</b>

### Notes to the Construction Period Sources of Funds:

- MMRB First Mortgage financing is provided by HCHFA with Credit Enhancement through Florida Housing's Guarantee Fund in concert with HUD Risk Sharing. MMRB Loan closing was July 1, 2002, in the amount of \$11,715,000 (\$8,515,000 Tax Exempt and \$3,200,000 Taxable). The MMRB Loan requires payments of interest (only) during the construction/stabilization phase of up to fifteen months. The scheduled Conversion Date is November 15, 2003, in accordance with the terms of the Note. The Construction Contract dated December 11, 2001, runs for a period of twelve months. Applicant states construction is complete. Construction Debt Service, which limits Eligible Basis, is based upon "all in" interest rates for the tax-exempt and taxable bonds at MMRB Loan closing of 6.580% and 7.683%, respectively, and average outstanding balances of 57% during the construction. Capitalized Interest included in the Development Budget is inclusive of this amount, but it also takes into account Debt Service during the stabilization period and Guaranteed Investment Contract ("GIC") earnings generated on un-disbursed bond funds.

Note: Interest rates during the construction/stabilization phase are weighted average "all-in" Tax-Exempt and Taxable rates per the Trust Indenture, excluding Permanent Loan Servicing, Compliance Monitoring and Financial Monitoring Fees that total 0.10%.

- Construction of the subject development is complete. Since SAIL Loan funds were unavailable during construction, the SAIL Loan is not reflected in the construction/stabilization phase.
- Based upon a First Amended and Restated Agreement for Limited Partnership, LLC became the 99.99% Limited Partner July 1, 2002. With \$4,988,761 of Syndicated HC and a Syndication Rate of \$0.820, the Limited Partnership generated a Net Equity Contribution of \$4,090,000. Of this amount, \$2,019,000 was advanced upon admission to the Limited Partnership, which satisfied the FHFC requirement that a minimum of 50% of the \$3,323,526 in HC Equity required during construction (and assuming the deferral of all available Developer Fees) be funded by MMRB Loan closing.
- All available Developer Fees of \$2,335,226 must be deferred during the construction/stabilization phase to balance the Sources and Uses of Funds following the receipt of all available MMRB Loan proceeds and HC Equity.

## Permanent Financing Sources

Source	Lender	Application	Revised Applicant	Underwriter	Interest Rate	Amort. Yrs.	Term Yrs.	Annual Debt Service
Tax-Exempt Bonds	HCHFA	\$8,515,000	\$8,515,000	\$8,515,000	6.880%	38.75	40	\$629,968
Taxable Bonds	HCHFA	\$2,000,000	\$1,840,000	\$1,725,000	6.880%	38.75	40	\$127,621
SAIL Loan	FHFC	\$2,000,000	\$2,000,000	\$2,000,000	3.309%	n/a	40	\$66,180
Housing Credit Equity	LLREI	\$4,038,000	\$4,038,000	\$4,090,000				
Deferred Developer Fee	Cornerstone	\$500,235	\$1,056,401	\$1,152,526				
<b>Total</b>		<b>\$17,053,235</b>	<b>\$17,449,401</b>	<b>\$17,482,526</b>				<b>\$823,770</b>

### Notes to the Permanent Period Sources of Funds:

- MMRB First Mortgage financing is provided by HCHFA with Credit Enhancement through Florida Housing's Guarantee Fund in concert with HUD Risk Sharing. MMRB Loan closing was July 1, 2002, in the amount of \$11,715,000 (\$8,515,000 Tax Exempt and \$3,200,000 Taxable). The MMRB Loan requires payments of interest (only) during the construction/stabilization phase of up to fifteen months. The scheduled Conversion Date is November 15, 2003, in accordance with the terms of the Note. Base rates for the Tax Exempt and Taxable Bonds are 5.525% and 6.354%, respectively. Credit Enhancement Fees include an FHFC Guarantee Fund fee of 0.500%, a HUD Risk Sharing fee of 0.250% and an Insurance Wrap fee of 0.055%. Other fees include the HCHFA Issuer fee of 0.20%, a Bond Trustee fee of 0.05% and FHFC-required servicing fees (e.g., Permanent Servicing 0.045%, Compliance Monitoring 0.04% and Financial Monitoring 0.015%). This Credit Enhancement structure was expected to impart an "AAA" bond rating.

Taxable Bonds in the amount of \$1,475,000 should be retired with SAIL Loan proceeds per William R. Hough & Company, the Bond Underwriter. The remaining MMRB Loan of \$10,240,000 (\$8,515,000 Tax-Exempt and \$1,725,000 Taxable) will have a weighted average "all-in" interest rate of 6.880%.

Replacement Reserves of \$200 per unit per year are normally required, however Applicant elected to prepay Replacement Reserves in the amount of \$41,600 (one-half the required Replacement Reserves for Years One and Two). Replacement Reserves to be funded from Operations will be \$100 per unit per year for Years One and Two, followed by \$200 per unit per year thereafter. An inflation factor based upon the Consumer Price Index will be applied to the Replacement Reserve deposit beginning in Year Seven, unless waived or reduced in the event Obligor provides a Physical Needs Study prepared by an independent third party acceptable to the Guarantee Fund that evidences an increase in the annual deposit is excessive or unnecessary. Monthly deposits to an Escrow for Property Taxes and Insurance are also required.

- The SAIL Loan, co-terminus with the MMRB First Mortgage Loan per a Request Letter from MMA dated August 6, 2003, will have a term up to 40 years. It will be non-amortizing and will bear a 3% simple interest per annum. Annual payments of all applicable fees will be required. In addition and to the extent that development cash flow is available, interest payments at the 3% base rate will be required. Any unpaid interest will be deferred until cash flow is available. At the maturity of the SAIL loan, however, all principal and unpaid

interest will be due. Seltzer's Credit Underwriting assumes SAIL interest payments at 3.309% (the base rate plus applicable fees).

3. Based upon a First Amended and Restated Agreement for Limited Partnership, LLMC became the 99.99% Limited Partner. With \$4,988,761 of Syndicated HC and a Syndication Rate of \$0.820, the Limited Partnership generated a Net Equity Contribution of \$4,090,000. Of this amount, \$2,019,000 was advanced upon admission to the Limited Partnership, which satisfied the FHFC requirement that a minimum of 50% of the \$3,323,526 in HC Equity required during construction (and assuming the deferral of all available Developer Fees) be funded by MMRB Loan closing. Subsequent installments include \$706,650 at the later of 50% completion or six months after admission, \$706,650 at the later of the final Construction Draw, 75% completion or twelve months after admission, \$320,000 at 100% completion, \$193,824 at Final Closing or HC Determination and \$143,876 at the later of six months Debt Service Coverage ("DSC") at 1.12 or Form(s) 8609.
4. Deferred Developer Fees of \$1,152,526 represents the amount that must be deferred from payment during the permanent/amortization period after all available MMRB and SAIL Loan proceeds plus HC Equity contributions have been received.

## Uses of Funds

	Application Total Costs	Applicant's Revised Total Costs	Underwriter's Total Costs	HC Ineligible Costs
<b>Actual Construction Costs</b>				
Construction Contract				
Site Work	\$0	\$0	\$0	\$0
Off-Site (outside of Const. Contract)	\$0	\$0	\$0	\$0
New Rental Units	\$8,930,609	\$8,930,609	\$8,930,609	\$108,160
Accessory Buildings	\$160,000	\$160,000	\$160,000	\$0
Recreational Amenities	\$135,707	\$135,707	\$135,707	\$0
Special Inspection Fees	\$32,000	\$32,000	\$32,000	\$0
P&P Bonds	\$60,000	\$60,000	\$60,000	\$0
Contractor's Fee (Not to Exceed 14%)	\$1,291,684	\$1,291,684	\$1,291,684	\$0
Subtotal	\$10,610,000	\$10,610,000	\$10,610,000	\$108,160
Other: Hard Cost Contingency	\$0	\$0	\$0	\$0
<b>Total Construction Contract</b>	<b>\$10,610,000</b>	<b>\$10,610,000</b>	<b>\$10,610,000</b>	<b>\$108,160</b>

### Notes to the Actual Construction Cost:

1. Applicant provided SMG with a copy of a December 11, 2001, Construction Contract with Alliance in the amount \$10,610,000. The Construction Contract is for construction hard costs, overhead and supervision. It includes 6% for General Conditions, 2% for Overhead and 6% for Contractor Profit. It provides for Retainage of 10% until 50% completion, with none thereafter. A Notice of Commencement was filed in Hillsborough County on July 23, 2002. The Construction Schedule indicates 100% completion within 12 months. SMG has received copies of C/O's for the Clubhouse and all residential buildings. Alliance's June 24, 2003, Application and Certificate for Payment ("Certificate"), approved by Fuglebergh Koch Architects, Winter Park, FL, on July 3, 2003. The Certificate reflects approval of all payments due under the Construction Contract except for Retainage of \$530,500.



	Application Total Costs	Applicant's Revised Total Costs	Underwriter's Total Costs	HC Ineligible Costs
<b>General Development Costs</b>				
Accounting Fees	\$20,000	\$25,000	\$25,000	\$0
Appraisal	\$12,500	\$19,201	\$11,000	\$0
Architect's Fee - Design	\$135,200	\$135,200	\$135,200	\$0
Architect's Fee - Supervision	\$31,200	\$31,200	\$31,200	\$31,200
Builder's Risk Insurance	\$62,400	\$68,100	\$68,100	\$30,660
Building Permit	\$75,000	\$102,165	\$102,165	\$0
Brokerage Fees--Land	\$0	\$0	\$0	\$0
Recording Fees	\$0	\$0	\$0	\$0
Planning	\$0	\$7,071	\$7,071	\$0
Engineering Fee	\$41,600	\$67,600	\$67,600	\$0
Environmental Report	\$4,000	\$4,000	\$4,000	\$0
FHFC Compliance Monitoring Fee	\$72,453	\$56,378	\$90,791	\$0
FHFC Administrative Fee	\$39,643	\$40,966	\$39,914	\$0
FHFC Application Fee	\$4,000	\$4,000	\$6,000	\$0
FHFC Credit Underwriting Fee	\$12,080	\$15,400	\$24,000	\$0
Impact Fees	\$338,610	\$39,950	\$39,950	\$0
Inspection Fees	\$15,600	\$18,000	\$18,000	\$0
Utility Connection Fees	\$321,110	\$260,674	\$260,674	\$0
Legal Fees	\$40,000	\$60,838	\$60,838	\$18,251
Market Study	\$5,000	\$4,500	\$3,000	\$0
Marketing and Advertising	\$120,000	\$160,000	\$160,000	\$160,000
Pre-Construction Analysis (PCA)	\$0	\$2,500	\$2,500	\$0
Property Taxes	\$10,000	\$10,000	\$10,000	\$4,000
Soil Test	\$6,000	\$6,000	\$6,000	\$0
Survey	\$10,000	\$20,000	\$20,000	\$0
Title & Recording Fees	\$55,000	\$50,000	\$50,000	\$35,000
Property Insurance	\$0	\$76,960	\$76,960	\$76,960
Clubhouse Furniture	\$75,000	\$115,543	\$115,543	\$0
Soft Cost Contingency	\$50,000	\$50,000	\$50,000	\$50,000
<b>Total General Development Costs</b>	<b>\$1,556,396</b>	<b>\$1,451,246</b>	<b>\$1,485,506</b>	<b>\$406,071</b>

*Notes to the General Development Costs:*

1. Applicant budgets separate line items for Builders Risk and Property (Operating) Insurance.
2. FHFC Administrative, Application, Compliance Monitoring and Credit Underwriting fees are actual costs as determined by SMG. FHFC Application Fees consist of Year 2002 HCHFA MMRB (with Credit Enhancement by the Florida Housing Affordable Housing Guarantee Program), SAIL Loan and HC. FHFC Credit Underwriting Fees consist of \$9,000 for MMRB First Mortgage financing through HCHFA, \$10,000 for Year 2002 SAIL, \$3,200 for Year 2002 HC and \$1,800 for Subsidy Layering Review.
3. Appraisal, Market Study and PCA fees are actual costs engaged by SMG.
4. Other General Development Costs are Applicant's estimates, which appear reasonable.

	Application Total Costs	Applicant's Revised Total Costs	Underwriter's Total Costs	HC Ineligible Costs
<b>Financial Costs</b>				
Permanent Loan Credit Enhancement	\$393,413	\$608,202	\$608,202	\$608,202
Bond Loan Construction Interest	\$518,000	\$730,000	\$730,000	\$219,000
Construction Loan Credit Enhancement	\$94,635	\$158,518	\$158,518	\$92,584
SAIL Loan Application Fee	\$20,000	\$20,000	\$20,000	\$14,420
Bond Loan Lease-Up Interest	\$0	\$0	\$0	\$0
Bridge Loan Origination Fee	\$0	\$0	\$0	\$0
Subordinated Debt Interest	\$0	\$0	\$0	\$0
Surety Bond Premium	\$0	\$15,815	\$14,700	\$0
Prepaid Replacement Reserves	\$0	\$41,600	\$41,600	\$41,600
Other - Debt Service Reserve	\$0	\$0	\$0	\$0
<b>Total Financial Costs</b>	<b>\$1,026,048</b>	<b>\$1,574,135</b>	<b>\$1,573,020</b>	<b>\$975,806</b>

*Notes to the Financial Costs:*

1. Bond Loan Construction Interest ("Cap I") of \$730,000 was escrowed at MMRB Loan closing July 1, 2002.
2. Construction Loan and Permanent Loan Credit Enhancement Costs are Applicant's revised estimates, which appear reasonable. SMG will confirm these costs with the Bond Underwriter prior to SAIL Loan closing.
3. A 3.5% premium for a Surety Bond substitutes for a \$420,000 DSR.
4. Replacement Reserves of \$200 per unit per year are normally required, however Applicant elected to prepay Replacement Reserves in the amount of \$41,600 (one-half the required Replacement Reserves for Years One and Two). Replacement Reserves to be funded from Operations will be \$100 per unit per year for Years One and Two, followed by \$200 per unit per year thereafter. An inflation factor based upon the Consumer Price Index will be applied to the Replacement Reserve deposit beginning in Year Seven, unless waived or reduced in the event Obligor provides a Physical Needs Study prepared by an independent third party acceptable to the Guarantee Program that evidences an increase in the deposit is excessive or unnecessary.

	Application Total Costs	Applicant's Revised Total Costs	Underwriter's Total Costs	HC Ineligible Costs
<b>Non-Land Acquisition Costs</b>				
Building Acquisition Costs	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0
<b>Total Non-Land Acquisition Costs</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

*Notes to the Non-Land Acquisition Costs:*

1. Since this is new construction, there are no non-land acquisition costs.

	Application Total Costs	Applicant's Revised Total Costs	Underwriter's Total Costs	HC Ineligible Costs
Development Cost Before Land and Developer Fee	\$13,192,444	\$13,635,381	\$13,668,526	\$1,490,037
		\$0	\$0	
<b>Other Development Costs</b>		\$0	\$0	
Developer Fee	\$2,110,791	\$2,444,000	\$2,444,000	\$0
Financial Advisor/Consultant Fees	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0
<b>Total Other Development Costs</b>	<b>\$2,110,791</b>	<b>\$2,444,000</b>	<b>\$2,444,000</b>	<b>\$0</b>

*Notes to the Other Development Costs:*

1. Applicant's figure of \$2,444,000 for Developer Fees is 17.88% of Development Cost before Land and Developer Fees. They are within Florida Housing's 18% maximum for Affordable Developments with MMRB financing.

Note: \$2,019,000 of HC Equity was advanced upon admission to the Limited Partnership, satisfying Florida Housing's requirement for a minimum 50% of the \$3,323,526 HC Equity required during construction be funded by MMRB Loan closing. SMG calculates \$2,335,226 Deferred Developer Fees during construction to balance the Sources and Uses of Funds after receipt of all available MMRB Loan proceeds and HC Equity.

	Application Total Costs	Applicant's Revised Total Costs	Underwriter's Total Costs	HC Ineligible Costs
Development Cost Before Land	\$15,303,235	\$16,079,381	\$16,112,526	\$1,490,037
<b>Land Acquisition Costs</b>				
Land	\$1,750,000	\$1,300,000	\$1,300,000	\$1,300,000
Extension Fees	\$0	\$70,020	\$70,000	\$70,000
Other	\$0	\$0	\$0	\$0
<b>Total Land Acquisition Costs</b>	<b>\$1,750,000</b>	<b>\$1,370,020</b>	<b>\$1,370,000</b>	<b>\$1,370,000</b>

*Notes to the Land Acquisition Costs:*

1. SMG was provided a copy of a Warranty Deed recorded in Hillsborough County July 23, 2002, documenting transfer of the Development Site to Applicant. A Closing Statement dated July 18, 2002, reflects the purchase price to be \$1,300,000, with Extension Fees of \$70,000 paid outside of closing.

The Appraiser reported an "as-is" value to the 340-unit development site of \$1,350,000.

	Application Total Costs	Applicant's Revised Total Costs	Underwriter's Total Costs	HC Ineligible Costs
<b>Total Development Cost</b>	<b>\$17,053,235</b>	<b>\$17,449,401</b>	<b>\$17,482,526</b>	<b>\$2,860,037</b>

## Operating Pro Forma

DESCRIPTION	ANNUAL	PER UNIT
<b>Revenue</b>		
Gross Potential Rental Revenue	\$1,601,544	\$7,700
Other Income:		
Washer/Dryer Rentals	\$69,888	\$336
Cable Television Income	\$24,960	\$120
Miscellaneous Income	\$24,960	\$120
Interest Income	\$0	\$0
Gross Potential Income	\$1,721,352	\$8,276
Less:		
Vacancy Loss - 4%	(\$68,854)	(\$331)
Collection Loss - 1%	(\$17,214)	(\$83)
<b>Total Effective Gross Revenue</b>	<b>\$1,635,284</b>	<b>\$7,862</b>
<b>Expenses</b>		
Fixed:		
Taxes	\$148,668	\$715
Insurance	\$88,400	\$425
Variable:	\$0	
Management Fees - 5%	\$81,764	\$393
General and Administrative	\$49,800	\$239
Payroll Expenses	\$142,750	\$686
Utilities	\$117,520	\$565
Marketing and Advertising	\$0	\$0
Maintenance and Repairs	\$55,120	\$265
Grounds Maintenance and Landscaping	\$24,000	\$115
Contract Services incl. Pest Control	\$0	\$0
Replacement Reserve	\$20,800	\$100
Other:	\$0	\$0
Other:	\$0	\$0
<b>Total Expenses</b>	<b>\$728,822</b>	<b>\$3,504</b>
<b>Net Operating Income</b>	<b>\$906,462</b>	<b>\$4,358</b>
<b>Debt Service Payments</b>		
HCHFA First Mortgage Loan	\$757,590	\$3,642
SAIL Loan Second Mortgage	\$66,180	\$318
Other: Negative Arbitrage on Debt Service Reserve	\$0	\$0
Other Fees - FHFC	\$0	\$0
Other Fees - Agency/Trustee/Service	\$0	\$0
<b>Total Debt Service Payments</b>	<b>\$823,770</b>	<b>\$3,960</b>
<b>Operating Income After Debt Service - Before Tax Cash Flow</b>	<b>\$82,693</b>	<b>\$398</b>

<b>Debt Service Coverage Ratios</b>	
Debt Service Coverage - HCHFA First Mortgage only	1.197
Debt Service Coverage - HCHFA First and SAIL Second Mortgages	1.100
Debt Service Coverage - All Mortgages	1.100
Debt Service Coverage - All Mortgages and Fees	1.100
<b>Financial Ratios</b>	
Operating Expense Ratio	44.6%
Break-Even Ratio	90.2%

*Notes to the Operating Proforma and Ratios:*

1. The Rent Roll is based upon Year 2003 Maximum HC Rents published by FHFC, less Utility Allowances per a September 7, 2001, Utility Provider Letter from Ron Nunez, Supervisor, Residential New Services, Tampa Electric Company.
2. SMG has underwritten Vacancy Loss at 4% and Collection Loss at 1%, which is consistent with Market Comparables and the Appraisal.
3. Washer/Dryer Rentals is based upon 75% of the units renting washers and dryers at \$35 per unit per month. Market Comparables and the Appraisal support the projection.
5. Cable Television Income, the Net Revenues (after Expenses) from bulk cable television service, is based upon 80% of the units subscribing to the service, generating \$12.50 per unit per month. The projection is supported by Market Comparables and the Appraisal.
6. Miscellaneous Income includes Late Fees, Cancellation Fees, Forfeited Deposits, Vending Income and income from other miscellaneous sources, to total \$120 per unit per year. Market Comparables and the Appraisal support the estimate.
7. The subject development is located in unincorporated Hillsborough County. Market Comparables and the Appraisal support Applicant's pro forma figure for Real Estate Taxes.
8. Seltzer's projection for Insurance Expense is consistent with that of the Appraiser, however it is higher than that of Applicant. The more conservative projection is based upon Financial Monitoring Reports that reflect increased expenditures for Property Insurance in coastal areas.
9. Management Fees are 5% based upon Total Effective Gross Revenue per an October 23, 2001, Property Management Agreement with Cornerstone Residential Management, L.L.C., a related company.
10. Estimated costs associated with Resident Programs committed to in the SAIL/HC Application are de minimis and are included in General and Administrative Expenses.
11. Utilities include tenants' monthly service of Water and Sewer, which Applicant will pay.
12. Replacement Reserves of \$200 per unit per year are normally required, however Applicant elected to prepay Replacement Reserves in the amount of \$41,600 (one-half the required Replacement Reserves for Years 1 and 2). Replacement Reserves to be funded from Operations will be \$100 per unit per year for Years 1 and 2, followed by \$200 per unit per year thereafter. An inflation factor based upon the Consumer Price Index will be applied to the Replacement Reserve deposit beginning in Year 7, unless waived or reduced in the event Obligor provides a Physical Needs Study prepared by an independent third party

acceptable to the Guarantee Fund that evidences an increase in the deposit is excessive or unnecessary. Estimated costs associated with Pest Control and Termite Prevention are de minimis and are included in Contract Services.

13. Market Comparables and the Appraisal support other Operating Expenses.
14. Based upon operating data from comparable properties, third-party reports (Appraisal and Market Study) and the Credit Underwriter's independent Due Diligence, SMG represents that, in its professional opinion, estimates for Rental Income, Vacancy and Collection Loss Allowances, Other Income and Operating Expenses fall within a band of reasonableness. Seltzer's estimate of Total Effective Gross Revenue is \$159 higher than that of the Appraiser's "Restricted Rents and Favorable Financing" analysis due to rounding differences. Seltzer's Total Operating Expense projection is \$20,792 less than that reflected in the Appraisal due primarily to Seltzer's assumption regarding the prepayment of Replacement Reserves.
15. A 15-year Income and Expense projection that reflects increasing Debt Service Coverage is attached to this report as Exhibit 1.

## HC Allocation Calculation

Section I: Qualified Basis Calculation	
Development Cost	\$17,482,526
Less Land Cost	(\$1,370,000)
Less Federal Funds	\$0
Less Other Ineligible Cost	(\$1,490,037)
Less Disproportionate Standard	\$0
<b>Total Eligible Basis</b>	<b>\$14,622,489</b>
Applicable Fraction	100.00%
DDA/QCT Basis Credit	100.00%
Qualified Basis	\$14,622,489
Housing Credit Percentage	3.57%
Annual Housing Credit Allocation	\$522,023

### Notes to the Qualified Basis Calculation:

1. Other Ineligible Costs are reflected in the HC Ineligible Costs column of the Uses of Funds schedules within Section A of this Credit Underwriting Report.
2. The development has a 100.00% Total Set-Aside; the Applicable Fraction is therefore 100.00%.
3. This development is not located in a Difficult Development Area ("DDA") or a Qualified Census Tract ("QCT"). The DDA/QCT Basis Credit is therefore 100.00%.
4. The Qualified Basis Calculation, above, does not take into consideration recent Internal Revenue Service "TAMS" regarding the calculation of Qualified Basis. Inclusion of such IRS guidance could affect the HC Allocation.

Section II: Gap Calculation	
Total Development Cost (Including Land and Ineligible Costs)	\$17,482,526
Less Mortgages/Loans	(\$12,240,000)
Less Grants	\$0
Equity Gap	\$5,242,526
Percentage to Investment Partnership	99.99%
HC Syndication Pricing	\$0.8198
HC Required to Meet Gap	\$6,395,190
Annual HC Required	\$639,519

### Notes to the Gap Calculation:

- Loans/Mortgages reflect the recommended SAIL Loan of \$2,000,000 plus the adjusted MMRB First Mortgage construction/permanent Loan in the amount of \$10,240,000 (\$8,515,000 of Tax Exempt Bonds and \$1,725,000 of Taxable Bonds).
- Percentage to Investment Partnership and HC Syndication Pricing are based a July 2, 2002, First Amended and Restated Agreement of Limited Partnership. See "Syndicator Information" in Section C of this Credit Underwriting Report for complete information.

<b>Section III: Tax-Exempt Bond 50% Test</b>	
Total Depreciable Cost	\$14,622,489
Plus Land Acquisition Cost	\$1,370,000
Aggregate Basis	\$15,992,489
Tax-Exempt Bond Amount	\$8,515,000
Plus GIC Income	\$82,383
Less Debt Service Reserve	\$0
Less Proceeds Used for Costs of Issuance	\$0
Tax-Exempt Proceeds Used for Building and Land	\$8,597,383
Proceeds Divided by Aggregate Basis	53.76%

*Notes to 50% Test:*

- SMG estimates the tax-exempt MMRB Loan to be 53.76% of Depreciable Development plus Land Acquisition Costs. If the Tax-Exempt Bond Amount is less than 50% at the time of Final Cost Certification, Developer Fees would have to be reduced by an amount to ensure compliance with the 50% Test. That, in turn, may result in a reduction of HC Equity.

<b>Section IV: Summary</b>	
HC per Qualified Basis	\$522,023
HC per Gap Calculation	\$639,519
Annual HC Recommended	\$522,023

*Notes to the Summary:*

- The Annual HC Recommendation is limited by Qualified Basis.



**Section B**

**SAIL Loan Commitment Conditions  
Housing Credit Allocation Contingencies**

## State Apartment Incentive Loan Recommendation

Seltzer Management Group, Inc. ("Seltzer" or "SMG"), recommends a loan funded through the Florida Housing Finance Corporation ("Florida Housing" or "FHFC") State Apartment Incentive Loan ("SAIL") Program under the conditions detailed in this section.

### Loan Amount

The SAIL Loan recommended by SMG is \$2,000,000, determined as follows:

The SAIL Loan amount is limited to the lesser of:

1. 25% of Total Development Cost. The recommended SAIL loan is 11.44% of Total Development Cost.
2. An amount such that the combined SAIL Loan and all Superior Debt do not exceed 100% of the Market Value of the subject development per a current Appraisal. The recommended SAIL Loan and the Multifamily Mortgage Revenue Bond ("MMRB" First Mortgage construction/permanent loan from the Housing Authority of Hillsborough County ("HCHFA"), combined, are 94.88% of the Appraised Value at Market Rents and Market Financing.
3. The amount necessary to make the subject development feasible, which is \$2,000,000 based upon information provided to date.
4. Mariner's Associates, Ltd. ("Applicant" or "Borrower") request, which request is \$2,000,000.

Seltzer's recommended SAIL Loan is therefore \$2,000,000.

The combined Debt Service Coverage ("DSC") ratio for the SAIL Loan and all Superior Debt must not be less than 1.100 to 1.00 nor greater than 1.500 to 1.00. (Debt Service includes interest based upon the base rate, plus FHFC Servicing, Compliance Monitoring and Financial Monitoring fees). SMG estimates combined DSC for the SAIL and MMRB loans to be 1.100.

## SAIL Loan General Conditions

### Purpose:

To provide construction and permanent mortgage financing for Mariner's Cove (208 residential units on approximately 11.93 acres) at 9314 E. Martin Luther King Boulevard (SR 574) in unincorporated Hillsborough County, Tampa, FL, 33610

### Security/Collateral:

1. A Second Mortgage Lien on the Land and Improvements
2. A Second Position Security Interest in all Personalty of the subject development
3. Additional collateral as required by FHFC and/or HCHFA

### Typical Documents:

1. Note, Mortgage and Land Use Restriction Agreement ("LURA")
2. Assignment of Leases, Rents, Profits
3. Assignment of Management Contract, Service Contracts, etc.
4. Standard FHFC Construction Completion, Operation Deficit, Recourse Obligations and Environmental Indemnity guarantees
5. Other documents as may be required by FHFC and/or HCHFA

### Term:

15 years including the construction/stabilization phase. However, the term of the SAIL Loan may be extended to accommodate investment requirements associated with the syndication of Low Income Housing Tax Credits ("HC") awarded to the development, or to meet Fannie Mae requirements if it is financing the subject development.

### Rate:

3.00% simple interest per annum for Family, Elderly, Homeless and SRO loans. 1.00% simple interest per annum for developments that maintain 80% occupancy of residents qualifying as Farmworkers/Fishworkers over the life of the loan.

### Repayment Schedule:

Annual payments of interest plus FHFC Servicing, Compliance Monitoring and Financial Monitoring fees. Interest and fees are calculated based upon the outstanding principal balance of the loan. Required annual payments consist of all FHFC fees. Payments of base and additional interest are payable from development cash flow, and may be deferred until there is adequate cash flow. All outstanding interest, principal and fees, however, are due at maturity.

**Escrows:**

The First Mortgagee or Florida Housing's Loan Servicing Agent shall maintain Escrows for Hazard Insurance and Property Taxes throughout the term of the loan.

**Replacement Reserves:**

According to Rule 67-048.12, a minimum of \$200 per unit per year, paid monthly, will be required to be deposited on a monthly basis into a designated Escrow Account, to be maintained by Florida Housing's Loan Servicing Agent beginning the first day of the first month after the final Certificate of Occupancy ("C/O") or at SAIL Loan closing. At Borrower's election, Borrower may pre-pay up to one-half of the required Replacement Reserve amount for Years One and Two, such that only one-half of the Replacement Reserve will be paid from Development Operations. Full Replacement Reserve deposits will be required beginning in Year Three.

FHFC shall have the right to attach the Escrow Accounts in the event of default under the Loan Documents. The application of funds by FHFC shall not be restricted and may include Debt Service payments and/or repairs.

The Escrow Account funds are to be used by the Borrower for Capital Expenditures only, not for normal maintenance and repairs. Capital Expenditures shall include building structural repairs, major building systems replacement, roof replacement, kitchen appliance replacement and carpet replacement. The per-unit per-year amount may be increased based upon a Physical Needs Assessment.

A Replacement Reserve account maintained by the First Mortgagee, with minimum deposits of \$200 per unit per year and terms satisfactory to FHFC, will satisfy this requirement. The Replacement Reserve account shall be subject to the rights of the First Mortgage lender to hold Replacement Reserves and to disburse such funds. The release of funds shall be at Florida Housing's sole discretion.

**Prepayment Penalty:**

Prepayment is allowed at any time, without penalty.

**Assumption:**

Assumable in some cases, subject to conditions specified in Chapter 67-48, F.A.C., and subject to Florida Housing's written approval.

## SAIL Loan Conditions

Seltzer's recommendations are contingent upon the review and approval of the following items by the Servicer and FHFC **at least two weeks before SAIL Loan closing**. Failure to receive approval of these items within this timeframe may result in postponement of the SAIL Loan closing date.

1. Borrower to comply with all recommendations noted in the Pre-Construction Analysis ("PCA") by Consultech and Associates ("Consultech"), Tampa, FL, such that Consultech will provide a sign-off letter.
2. Signed and sealed Survey, dated within 90 days of SAIL Loan closing and certified to FHFC, indicating the legal description, the exact boundaries of the subject development, easements, utilities, roads, means of access to public streets, total acreage, flood hazard area and any other requirements of FHFC.
3. Building Permits and any other necessary Permits and Approvals (e.g., Final Site Plan approval, Water Management District, Florida Department of Environmental Protection, U.S. Army Corps of Engineers, Florida Department of Transportation, etc.) or a letter from the local permitting and approval authority that the above referenced Permits and Approvals will be issued upon receipt of applicable fees (and with no other conditions). If a letter is provided, copies of all Permits will be required as a condition to the first post-closing draw.
4. Final "as permitted" (signed and sealed) Civil Engineering Plans, Architectural Site Plan and Building Plans and Specifications. The Geotechnical Report must be bound within the final Plans and Specifications. The final Plans and Specifications shall reflect all Features and Amenities committed to by Applicant.
5. Final Sources and Uses of Funds itemized by source and line item, in a format and in amounts approved by the Servicer. A detailed calculation of the Construction Interest based upon the final Draw Schedule (see below), documentation of the Closing Costs and a draft Loan Closing Statement must also be provided. The Sources and Uses of Funds schedule will be attached to the Loan Agreement as the approved Development Budget.
6. Final Draw Schedule to be approved prior to SAIL Loan closing, itemized by line item and showing the Sources of Funds for monthly draws. SAIL Loan Funds must be distributed pro rata with other Construction Loan Funds.
7. Evidence of General Liability, Flood (if applicable), Builders Risk and Hazard Insurance (as Certificates of Occupancy are received) reflecting FHFC as Loss Payee/Mortgagee, in coverages, deductibles and amounts satisfactory to FHFC.
8. Architect, Construction Consultant and Borrower Certification Forms provided by FHFC for both design and as-built with respect to Section 504, Americans with Disabilities Act ("ADA"), and Fair Housing requirements, if applicable.
9. Current and Certified Financial Statements from Applicant, Cornerstone Mariner's Cove, L.L.C. ("GP"), Cornerstone Group Development, L.L.C., Cornerstone Group Development Corp., and the Principals, Jorge Lopez, Stuart I. Meyers, Leon J. Wolfe and Mara S. Mades.

Seltzer's recommendations are contingent upon the review and approval of the following items by FHFC and its Legal Counsel **at least two weeks before SAIL Loan closing**. Failure to receive approval of these items within this timeframe may result in postponement of the SAIL Loan closing date.

1. Documentation of the legal formation and current authority to transact business in Florida for the Borrower, the General Partner of the Borrower, the Guarantors and the Limited Partner(s) of the Borrower.
2. Signed and sealed Survey, dated within 90 days of SAIL Loan closing and certified to FHFC and its Legal Counsel, indicating the legal description, the exact boundaries of the subject development, easements, utilities, roads, means of access to public streets, total acreage, flood hazard area and any other requirements of FHFC.
3. Title Insurance Binder or Commitment for Title Insurance (with copies of all Schedule B exceptions) in the amount of the SAIL Loan.
4. FHFC and its Legal Counsel shall review and approve all other lenders' Closing Documents and the Limited Partnership Agreement. FHFC shall be satisfied in its sole discretion that all legal and program requirements for the SAIL Loan have been satisfied.
5. Evidence of General Liability, Flood (if applicable), Builders Risk and Hazard Insurance (as Certificates of Occupancy are received) reflecting FHFC as Loss Payee/Mortgagee, in coverages, deductibles and amounts satisfactory to FHFC.
6. Receipt of a Legal Opinion from Borrower's Legal Counsel acceptable to FHFC addressing the following matters:
  - a. The legal existence and good standing of Borrower, the General Partner of Borrower, any Corporation or Partnership that is a Principal of the General Partner and any Guarantor;
  - b. The due authorization, execution, and delivery by Borrower and the Guarantors, of all SAIL Loan documents;
  - c. The SAIL Loan documents being in full force and effect and enforceable in accordance with their terms, subject to bankruptcy and equitable principles only;
  - d. That Borrower and the subject development are in compliance with all Laws and Regulations applicable to the construction, development and operation of the subject development, and that all Permits and Approvals required for construction, rehabilitation and operation of the subject development and any improvements related thereto have been obtained and are in full force and effect;
  - e. Borrower's and Corporate Guarantor's execution, delivery and performance of the SAIL Loan documents shall not result in a violation of, or conflict with any Judgments, Orders, Contracts, Mortgages, Security Agreements or Leases to which Borrower is a party, or to which the subject development is subject to Borrower's Partnership Agreement and;
  - f. Such other matters as FHFC or its Legal Counsel may require.
7. Evidence of compliance with local concurrency laws prior to closing of the SAIL Loan.
8. Other Assignments, Affidavits, Certificates, Financial Statements, Closing Statements and other Documents as may be reasonably requested by FHFC or its Legal Counsel, in form and substance acceptable to FHFC or its Legal Counsel, in connection with the SAIL Loan.

9. Any other reasonable conditions established by FHFC and its Legal Counsel.

Seltzer's recommendations are also contingent upon satisfaction of the following additional conditions:

1. Compliance with all provisions of Sections 420.507(22) and 420.5087, Florida Statutes and Rule Chapter 67-48, F.A.C.
2. Acceptance by Borrower and execution of all Documents evidencing and securing the SAIL Loan in form and substance satisfactory to FHFC, including but not limited to the Promissory Note, the Loan Agreement, the Mortgage and Security Agreement and the Land Use Restriction Agreement ("LURA").
3. At all times, there will be un-disbursed Loan Funds (collectively held by FHFC, HCHFA and any other sources) sufficient to complete the subject development. If at any time there are not sufficient funds (held by FHFC, HCHFA and any other sources) to complete the subject development, Borrower will be required to expend additional Equity on development costs or to deposit additional Equity with FHFC that is sufficient to complete the subject development before additional Loan Funds are disbursed. This condition specifically includes escrowing all Syndication and other Equity necessary to construction or another alternative acceptable to FHFC in its sole discretion.
4. Standard FHFC Construction Completion Guarantees from Borrower, GP, Cornerstone Group Development, L.L.C., Cornerstone Group Development Corp., and the Principals, Mr. Lopez, Mr. Meyers, Mr. Wolfe and Ms. Mades.
5. Standard FHFC Operating Deficit Guarantees from Borrower, GP, Cornerstone Group Development, L.L.C., Cornerstone Group Development Corp., and the Principals, Mr. Lopez, Mr. Meyers, Mr. Wolfe and Ms. Mades, to be released upon achievement of a 1.043 combined Debt Service Coverage ("DSC") for the MMRB First Mortgage and SAIL Loans for six consecutive months.
6. Standard FHFC Environmental Indemnity Guarantees from Borrower, GP, Cornerstone Group Development, L.L.C., Cornerstone Group Development Corp., and the Principals, Mr. Lopez, Mr. Meyers, Mr. Wolfe and Ms. Mades.
7. Standard FHFC Recourse Obligations Guarantees from Borrower, GP, Cornerstone Group Development, L.L.C., Cornerstone Group Development Corp., and the Principals, Mr. Lopez, Mr. Meyers, Mr. Wolfe and Ms. Mades.
8. Compliance with HUD Environmental Criteria and Standard contained in 24CFR, Part 51, and Handbook 4590.01, Rev-1, Housing Finance Risk Sharing Regulations and receipt of the HUD firm approval letter.
9. Consultech to act as Florida Housing's inspector during the construction phase.
10. A Mortgagee Title Insurance Policy naming FHFC as the insured, in the amount of the SAIL Loan and to be issued immediately after SAIL Loan closing. Any exceptions to the Title Insurance Policy must be acceptable to FHFC and/or its Legal Counsel.
11. Property Tax and Hazard Insurance Escrow to be established and maintained by FHFC or the Servicer.
12. Applicant elected to prepay \$41,600 (representing one-half the required Replacement Reserves for Years One and Two) for deposit at MMRB Loan closing. Replacement

Reserves in the amount of \$100 per unit per year paid monthly from operations for Years One and Two will be required, with \$200 per unit per year thereafter. An inflation factor based upon the Consumer Price Index will be applied to the Replacement Reserve deposit beginning in Year Seven, unless waived or reduced in the event Obligor provides a Physical Needs Study prepared by an independent third party acceptable to Florida Housing's Guarantee Program ("Guarantee Program") that evidences an increase in the deposit is excessive or unnecessary.

13. A 10% Retainage Holdback on all Construction Draws until the subject development is 50% complete, with 0% thereafter. Retainage will not be released until successful completion of construction and issuance of all C/O's.
14. Satisfactory completion of a Pre-SAIL Loan Closing Compliance Audit conducted by FHFC or the Servicer, if applicable.
15. Any other reasonable requirements of the Servicer, FHFC and its Legal Counsel.



## **Housing Credit Allocation Recommendation**

SMG recommends a preliminary annual Housing Credit ("HC") allocation up to \$522,023 for Mariner's Cove based upon Qualified Basis. For further details, please see the HC Allocation Calculation within Section A of this Credit Underwriting Report.

### **Contingencies**

Seltzer's HC Allocation recommendation is contingent upon the receipt and satisfactory review of the following items by FHFC and SMG.

1. Closing of the SAIL Loan consistent with the assumptions contained within this Credit Underwriting Report.
2. Any other reasonable requirement of FHFC and/or SMG.

Exhibit 1

Mariner's Cove Final Review Report  
15 Year Income and Expense Projection

DESCRIPTION	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
<b>Revenue</b>															
Gross Potential Rental Revenue	\$1,586,064	\$1,633,646	\$1,682,655	\$1,733,135	\$1,785,129	\$1,838,683	\$1,893,843	\$1,950,659	\$2,009,178	\$2,069,454	\$2,131,637	\$2,195,484	\$2,261,348	\$2,329,188	\$2,399,064
Other Income:															
Washer/Driver Rentals	\$69,888	\$71,985	\$74,144	\$76,369	\$78,660	\$81,019	\$83,450	\$85,953	\$88,532	\$91,188	\$93,924	\$96,741	\$99,644	\$102,633	\$105,712
Cable Television Income	\$24,960	\$25,709	\$26,480	\$27,274	\$28,093	\$28,935	\$29,804	\$30,698	\$31,619	\$32,567	\$33,544	\$34,550	\$35,587	\$36,655	\$37,754
Miscellaneous Income	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Interest Income	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Gross Potential Income	\$1,705,872	\$1,757,048	\$1,809,760	\$1,864,052	\$1,919,974	\$1,977,573	\$2,036,900	\$2,098,007	\$2,160,948	\$2,225,776	\$2,292,649	\$2,361,326	\$2,432,166	\$2,505,131	\$2,580,284
Less:															
Vacancy Loss - 4%	(\$68,235)	(\$70,282)	(\$72,390)	(\$74,562)	(\$76,799)	(\$79,103)	(\$81,476)	(\$83,920)	(\$86,438)	(\$89,031)	(\$91,702)	(\$94,453)	(\$97,287)	(\$100,205)	(\$103,211)
Collection Loss - 1%	(\$17,059)	(\$17,570)	(\$18,098)	(\$18,641)	(\$19,200)	(\$19,776)	(\$20,369)	(\$20,980)	(\$21,609)	(\$22,258)	(\$22,925)	(\$23,613)	(\$24,322)	(\$25,051)	(\$25,803)
<b>Total Effective Gross Revenue</b>	\$1,620,578	\$1,669,196	\$1,719,272	\$1,770,850	\$1,823,975	\$1,878,695	\$1,935,055	\$1,993,107	\$2,052,900	\$2,114,467	\$2,177,922	\$2,245,260	\$2,310,557	\$2,379,874	\$2,451,270
<b>Expenses</b>															
Fixed:															
Taxes	\$148,668	\$154,615	\$160,799	\$167,231	\$173,921	\$180,877	\$188,112	\$195,637	\$203,462	\$211,601	\$220,065	\$228,868	\$238,022	\$247,543	\$257,445
Insurance	\$88,400	\$91,936	\$95,613	\$99,438	\$103,415	\$107,552	\$111,854	\$116,328	\$120,982	\$125,821	\$130,854	\$136,088	\$141,531	\$147,192	\$153,080
Variable:															
Management Fees - 5%	\$81,029	\$83,460	\$85,984	\$88,542	\$91,199	\$93,935	\$96,753	\$99,655	\$102,645	\$105,724	\$108,896	\$112,163	\$115,528	\$118,994	\$122,564
General and Administrative	\$49,800	\$51,792	\$53,864	\$56,018	\$58,259	\$60,589	\$63,013	\$65,533	\$68,155	\$70,881	\$73,716	\$76,665	\$79,731	\$82,921	\$86,237
Payroll Expenses	\$142,750	\$148,460	\$154,398	\$160,574	\$166,997	\$173,677	\$180,624	\$187,849	\$195,363	\$203,178	\$211,305	\$219,757	\$228,547	\$237,689	\$247,197
Utilities	\$117,520	\$122,221	\$127,110	\$132,194	\$137,482	\$142,981	\$148,700	\$154,648	\$160,834	\$167,268	\$173,958	\$180,917	\$188,153	\$195,679	\$203,507
Marketing and Advertising	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Maintenance and Repairs	\$55,120	\$57,325	\$59,618	\$62,003	\$64,483	\$67,062	\$69,744	\$72,534	\$75,436	\$78,453	\$81,591	\$84,855	\$88,249	\$91,779	\$95,450
Grounds Maintenance and Landscaping	\$24,000	\$24,960	\$25,958	\$26,997	\$28,077	\$29,200	\$30,368	\$31,582	\$32,846	\$34,159	\$35,526	\$36,947	\$38,425	\$39,962	\$41,560
Security	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Replacement Reserve*	\$20,800	\$20,800	\$41,600	\$41,600	\$41,600	\$41,600	\$43,264	\$44,995	\$46,794	\$48,666	\$50,613	\$52,637	\$54,743	\$56,932	\$59,210
Other:	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total Expenses</b>	\$728,087	\$755,568	\$804,924	\$834,598	\$865,432	\$897,473	\$932,433	\$968,763	\$1,006,517	\$1,045,751	\$1,086,524	\$1,128,896	\$1,172,930	\$1,218,692	\$1,266,250
<b>Net Operating Income</b>	\$892,491	\$913,628	\$914,347	\$936,252	\$958,543	\$981,221	\$1,002,622	\$1,024,344	\$1,046,384	\$1,068,736	\$1,091,398	\$1,114,364	\$1,137,627	\$1,161,182	\$1,185,021
<b>Debt Service Payments</b>															
HCHFA First Mortgage Loan	\$745,012	\$745,012	\$745,012	\$745,012	\$745,012	\$745,012	\$745,012	\$745,012	\$745,012	\$745,012	\$745,012	\$745,012	\$745,012	\$745,012	\$745,012
SAIL Loan Second Mortgage	\$66,180	\$66,180	\$66,180	\$66,180	\$66,180	\$66,180	\$66,180	\$66,180	\$66,180	\$66,180	\$66,180	\$66,180	\$66,180	\$66,180	\$66,180
Other Negative Arbitrage on Debt Service Reserve	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Fees - Letter of Credit/Guarantee	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Fees - Agency/Trustee/Service	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total Debt Service Payments</b>	\$811,192	\$811,192	\$811,192	\$811,192	\$811,192	\$811,192	\$811,192	\$811,192	\$811,192	\$811,192	\$811,192	\$811,192	\$811,192	\$811,192	\$811,192
<b>Operating Income After Debt Service - Before Tax Cash Flow</b>	\$81,299	\$102,435	\$103,155	\$125,060	\$147,351	\$170,029	\$191,430	\$213,152	\$235,191	\$257,544	\$280,206	\$303,171	\$326,435	\$349,990	\$373,828
<b>Debt Service Coverage Ratios</b>															
Debt Service Coverage - HCHFA First Mortgage only	1.198	1.226	1.227	1.257	1.287	1.317	1.346	1.375	1.405	1.435	1.465	1.496	1.527	1.559	1.591
Debt Service Coverage - HCHFA First and SAIL Second Mortgages	1.100	1.126	1.127	1.154	1.182	1.210	1.236	1.263	1.290	1.317	1.345	1.374	1.402	1.431	1.461
Debt Service Coverage - All Mortgages	1.100	1.126	1.127	1.154	1.182	1.210	1.236	1.263	1.290	1.317	1.345	1.374	1.402	1.431	1.461
Debt Service Coverage - All Mortgages and Fees	1.100	1.126	1.127	1.154	1.182	1.210	1.236	1.263	1.290	1.317	1.345	1.374	1.402	1.431	1.461
<b>Financial Ratios</b>															
Operating Expense Ratio	44.9%	45.3%	46.8%	47.1%	47.4%	47.8%	48.2%	48.6%	49.0%	49.5%	49.9%	50.3%	50.8%	51.2%	51.7%
Break-Even Ratio	90.2%	89.2%	88.3%	87.3%	86.4%	85.6%	84.8%	84.1%	83.4%	82.8%	82.2%	81.6%	81.0%	80.5%	80.0%

\*Based upon Applicant's prepayment of \$41,600 (one-half the required Replacement Reserves for Years 1 and 2), Replacement Reserves of \$100 per unit per year will be paid from Operations for Years 1 and 2, followed by \$200 per unit per year thereafter. An inflation factor based upon the Consumer Price Index will be applied to the Replacement Reserve deposit beginning in Year 7. SMG utilizes a 4% inflation factor for purposes of this Credit Underwriting.

EXHIBIT 2  
Mariner's Cove Apartments (2002- 043S)  
Hillsborough County

The Development will consist of 208 garden apartment units located in 11 residential buildings.

Unit Mix:	24	One bedroom / one bath units containing a minimum of 709 square feet of heated and cooled living area
	100	Two bedroom / two bath units containing a minimum of 969 square feet of heated and cooled living area
	84	Three bedroom / two bath units containing a minimum of 1,156 square feet of heated and cooled living area
	208	Total units

The Development is to be constructed in accordance with the final plans and specifications approved by the appropriate city or county building or planning department or equivalent agency, and approved as reflected in the Pre-Construction Analysis prepared for Florida Housing or its Servicer, unless a change order has been approved in writing by Florida Housing or its Servicer. The Development will conform to requirements of local, state & federal laws, rules, regulations, ordinances, orders and codes, Federal Fair Housing Act and Americans with Disabilities Act ("ADA"), as applicable.

Each unit will be fully equipped with the following:

1. Air conditioning (window units are not allowed, however, through-wall units are permissible for rehabilitation)
2. Window treatments for each window
3. Termite prevention and pest control throughout the entire affordability period
4. Cable or satellite TV hook-up
5. Range and oven
6. Refrigerator
7. At least two full bathrooms in all three bedroom or larger new construction units

EXHIBIT 2  
Mariner's Cove Apartments (2002- 043S)  
Hillsborough County

8. Bathtub with shower in at least one bathroom in new construction non-elderly units

The Borrower has committed to provide the following features in each unit:

1. At least 1.5 bathrooms (one full bath and one with at least a toilet and sink) in all two bedroom new construction units.
2. Marble window sills
3. Dishwasher in all new construction units
4. Garbage disposal in all new construction units
5. Laundry hook-ups and space for full-size washer and dryer

The Borrower has committed to the following amenities in the Development:

1. Gated community with "carded" entry or security guard, or if mid- or high-rise, "carded" secure entry to building
2. Exercise room with appropriate equipment
3. Community center or clubhouse
4. Swimming pool
5. Playground/tot lot (must be sized in proportion to Development's size and expected tenant population with age-appropriate equipment)
6. Thirty-year expected life roofing on all buildings
7. Laundry facilities with full-size washers and dryers available on site
8. Exterior lighting in open and common areas

The Borrower has committed to provide the following energy conservation features for all buildings in the Development:

1. Air conditioning with SEER rating of 12 or better
2. Wall insulation of R-13 or better for frame-built construction or wall insulation of R-7 or better for masonry/concrete block construction

EXHIBIT 2  
Mariner's Cove Apartments (2002- 043S)  
Hillsborough County

3. Attic insulation of R-30 or better
4. Single-pane windows with shading coefficient of .67 or better
5. Ceiling fans in all bedrooms and living area

The Borrower has committed to provide the following Resident Programs:

1. Welfare to Work or Self-Sufficiency Programs: The Borrower commits to actively seek residents who are participating in or who have successfully completed the training provided by these types of programs.
2. Homeownership Opportunity Program – Financial Assistance with Purchase of a Home: Borrower commits to provide a financial incentive which includes the following provisions:
  - a. the incentive must be applicable to the home selected by the resident and may not be restricted to or enhanced by the purchase of homes in which the Borrower, Developer, or other related party has an interest;
  - b. the incentive must be not less than 5% of the rent for the resident's unit during the resident's entire occupancy (Note: Resident will receive the 5% credit for all months for which the resident is in compliance with the terms and conditions of the lease. Damages to the unit in excess of the security deposit will be deducted from the incentive.);
  - c. the benefit must be in the form of a gift or grant and may not be a loan of any nature;
  - d. the benefits of the incentive must accrue from the beginning of occupancy;
  - e. the vesting period can be no longer than 2 years of continuous residency; and
  - f. no fee, deposit or any other such charge can be levied against the resident as a condition of participation in this program
3. First Time Homebuyer Seminars: Borrower or its Management Agent must arrange for and provide, at no cost to the resident, in conjunction with local realtors or lending institutions, semiannual on-site seminars for residents interested in becoming homeowners.
4. Job Training: Borrower or its Management Agent must provide, at no cost to the resident, regularly scheduled classes in keyboarding, computer literacy, secretarial skills or other useful job skills, which will be provided at least once each quarter. If the training is not provided on-site, transportation at no cost to the resident must be provided.

EXHIBIT 2  
Mariner's Cove Apartments (2002- 043S)  
Hillsborough County

5. Health Care: At least quarterly visits by health care professionals such as nurses, doctors, or other licensed care providers. At a minimum, the following services must be provided: health screening, flu shots, vision and hearing tests. Regularly scheduled is defined as not less often than once each quarter. On-site space must be provided. Service must be provided at no cost to the residents, with the exception that the residents may be charged for medications.
6. Resident Activities: These specified activities are planned, arranged, provided and paid for by the Borrower or its Management Agent. These activities must be an integral part of the management plan. The Borrower must develop and execute a comprehensive plan of varied activities that brings the residents together and encourages community pride. The goal here is to foster a sense of community by bringing residents together on a regularly scheduled basis by providing activities such as holiday and special occasion parties, community picnics, newsletters, children's special functions, etc.
7. Health and Nutrition Classes: At least eight hours per year, provided on site at no cost to the residents.
8. Computer Lab: The Borrower or its Management Agent must provide an area on-site, at no cost to the resident, with a minimum of one computer per 50 units, with basic word processing, spreadsheets and assorted educational and entertainment software programs. At least one printer must also be provided.



**Exhibit 3a**  
**Jorge Lopez**  
**Schedule of Contingent Liabilities**  
**May 14, 2003**

St. Croix	Broward County	246	Under Construction	0%	\$18,095,000	\$0	Under Construction	Under Construction	100%	Oct-08
San Marco	Ormond Beach	260	Under Construction	45%	\$14,100,000	\$0	Under Construction	Under Construction	100%	Feb-08
Laguna pointe	Broward County	188	Under Construction	0%	\$13,300,000	\$0	Under Construction	Under Construction	100%	Apr-06
Mariners Cove	Tampa	208	Under Construction	28%	\$11,715,000	\$0	Under Construction	Under Construction	100%	Jun-07
San Marino At Naples	Naples	350	May-02	93%	\$23,000,000	\$3,000,000	\$1,871,800	\$0.00	100%	Sep-03
San Marino At Bear Lakes	West Palm Beach	355	Under Construction	75%	\$26,500,000	\$0	Under Construction	Under Construction	100%	May-04
Villa del Sol	Boyton Beach	312	Under Construction	85%	\$22,300,000	\$0	Under Construction	Under Construction	100%	Jun-04
Portofino	West Palm Beach	270	Under Construction	0%	\$20,020,000	\$0	Under Construction	Under Construction	100%	Sep-06
Baywinds	Miami	204	Under Construction	20%	\$9,670,000	\$1,000,000	Under Construction	Under Construction	100%	Sep-05
Eagle Pointe	Broward	192	Under Construction	0%	\$12,285,000	\$0	Under Construction	Under Construction	100%	Oct-06
Captiva Club	Miami	136	Under Construction	0%	\$6,820,000	\$1,000,000	Under Construction	Under Construction	100%	Sep-05
Renaissance	West Palm Beach	344	Under Construction	0%	\$24,375,000	\$0	Under Construction	Under Construction	100%	Nov-06
Carolina	Daytona	224	Jun-02	97%	\$10,910,000	\$2,000,000	\$845,622	\$0.00	100%	Feb-06

**Certification:** I hereby certify that this statement is a complete and accurate representation of the cash flows and contingent liabilities as of the date of this statement

**Jorge Lopez**

**May 14, 2003**

Signature: \_\_\_\_\_

Date: \_\_\_\_\_



**Exhibit 3b**  
**Stuart I. Meyers**  
**Schedule of Contingent Liabilities**  
**May 14, 2003**

Project Name	Location	No. Of Units	Comp. Date	Current Occup.	First Mortgage	Second Mortgage	Annual Debt Service	Deficit Funding	Type Of Guaranty	Release Date Of Guaranty
Siesta Pointe	Miami	392	Jan-99	99%	\$13,305,000	\$600,000	\$1,177,860	\$0.00	100%	Apr-03
Cypress Trace	Brandon	348	Dec-99	97%	\$16,865,000	\$0	\$1,225,000	\$0.00	100%	Jun-03
Heron Pointe	Miramar	200	Dec-99	99%	\$9,200,000	\$0	\$518,785	\$0.00	100%	Oct-03
Villa Esperanza	Miami	192	Dec-99	100%	\$8,465,000	\$600,000	\$522,606	\$0.00	100%	Jan-03
Cross Key	Broward	240	Sep-99	98%	\$16,970,000	\$380,680	\$1,150,037	\$0.00	100%	May-03
Doral Terrace	Miami	256	Apr-00	99%	\$20,317,500	\$650,000	\$1,015,620	\$0.00	100%	Aug-04
Eagles Landings	Miami	321	Oct-00	99%	\$8,250,461	\$0	\$708,521	\$0.00	100%	Nov-04
Hidden Cove	Miami	144	Jun-00	99%	\$3,041,306	\$780,116	\$280,452	\$0.00	100%	May-04
Crossings	Miami	320	May-00	100%	\$13,305,000	\$0	\$843,627	\$0.00	100%	Feb-04
Logans	Jacksonville	248	Sep-00	97%	\$12,552,364	\$200,000	\$860,329	\$0.00	100%	Jun-04
Banyan	Broward	300	Jun-01	100%	\$17,605,000	\$0	\$1,193,145	\$0.00	100%	Mar-05
Clipper	Tampa	176	Mar-01	95%	\$7,685,000	\$0	\$607,068	\$0.00	100%	Sep-05
Bridgewater	Broward	312	Dec-01	99%	\$19,675,000	\$0	\$1,214,891	\$0.00	100%	Jul-04
Bernwood	Ft. Myers	340	Nov-00	88%	\$16,394,417	\$0	\$1,096,142	\$0.00	100%	Dec-04
Sabal	St. Lucie	340	Aug-01	91%	\$16,064,949	\$0	\$1,138,182	\$0.00	100%	May-05
Marbrisa	Miami	368	Aug-01	98%	\$17,060,000	\$0	\$1,149,523	\$0.00	100%	Feb-06
Sundance	Jacksonville	288	Dec-01	86%	\$16,285,000	\$0	\$1,109,465	\$0.00	100%	Aug-06
Monterey	Homestead	340	Under Construction	99%	\$14,602,825	\$0	Under Construction	Under Construction	100%	May-06
Mission Bay	Melbourne	360	Under Construction	95%	\$15,740,000	\$0	Under Construction	Under Construction	100%	Jul-07
Hunters Run	Clay County	304	Under Construction	57%	\$10,080,000	\$0	Under Construction	Under Construction	100%	Mar-07
Mallards	Jacksonville	388	Under Construction	0%	\$16,730,000	\$0	Under Construction	Under Construction	100%	May-07
Indian Trace	Riveira Beach	330	Under Construction	13%	\$23,770,000	\$0	Under Construction	Under Construction	100%	Jun-08
St. Croix	Broward County	246	Under Construction	0%	\$18,095,000	\$0	Under Construction	Under Construction	100%	Oct-08
San Marco	Ormond Beach	260	Under	45%	\$14,100,000	\$0	Under	Under	100%	Feb-08

**Exhibit 3b**  
**Stuart I. Meyers**  
**Schedule of Contingent Liabilities**  
**May 14, 2003**

			Construction				Construction	Construction		
Laguna pointe	Broward County	188	Under Construction	0%	\$13,300,000	\$0	Under Construction	Under Construction	100%	Apr-06
Mariners Cove	Tampa	208	Under Construction	28%	\$11,715,000	\$0	Under Construction	Under Construction	100%	Jun-07
San Marino At Naples	Naples	350	May-02	93%	\$23,000,000	\$3,000,000	\$1,871,800	\$0.00	100%	Sep-03
San Marino At Bear Lakes	West Palm Beach	355	Under Construction	75%	\$26,500,000	\$0	Under Construction	Under Construction	100%	May-04
Villa del Sol	Boyton Beach	312	Under Construction	85%	\$22,300,000	\$0	Under Construction	Under Construction	100%	Jun-04
Portofino	West Palm Beach	270	Under Construction	0%	\$20,020,000	\$0	Under Construction	Under Construction	100%	Sep-06
Baywinds	Miami	204	Under Construction	20%	\$9,670,000	\$1,000,000	Under Construction	Under Construction	100%	Sep-05
Eagle Pointe	Broward	192	Under Construction	0%	\$12,285,000	\$0	Under Construction	Under Construction	100%	Oct-06
Captiva Club	Miami	136	Under Construction	0%	\$6,820,000	\$1,000,000	Under Construction	Under Construction	100%	Sep-05
Renaissance	West Palm Beach	344	Under Construction	0%	\$24,375,000	\$0	Under Construction	Construction	100%	Nov-06
Carolina	Daytona	224	Jun-02	97%	\$10,910,000	\$2,000,000	\$845,622	\$0.00	100%	Feb-06

**Certification:** I hereby certify that this statement is a complete and accurate representation of the cash flows and contingent liabilities as of the date of this statement

**Stuart Meyers**

**May 14, 2003**

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

**Exhibit 3c**  
**Leon J. Wolfe**  
**Schedule of Contingent Liabilities**  
**May 14, 2003**

Project Name	Location	No. Of Units	Comp. Date	Current Occup.	First Mortgage	Second Mortgage	Annual Debt Service	Deficit Funding	Type Of Guaranty	Release Date Of Guaranty
Indian Trace	Riveira Beach	330	Under Construction	13%	\$23,770,000	\$0	Under Construction	Under Construction	100%	Jun-08
St. Croix	Broward County	246	Under Construction	0%	\$18,095,000	\$0	Under Construction	Under Construction	100%	Oct-08
San Marco	Ormond Beach	260	Under Construction	45%	\$14,100,000	\$0	Under Construction	Under Construction	100%	Feb-08
Laguna pointe	Broward County	188	Under Construction	0%	\$13,300,000	\$0	Under Construction	Under Construction	100%	Apr-06
Mariners Cove	Tampa	208	Under Construction	28%	\$11,715,000	\$0	Under Construction	Under Construction	100%	Jun-07
Portofino	West Palm Beach	270	Under Construction	0%	\$20,020,000	\$0	Under Construction	Under Construction	100%	Sep-06
Baywinds	Miami	204	Under Construction	20%	\$9,670,000	\$1,000,000	Under Construction	Under Construction	100%	Sep-05
Eagle Pointe	Broward	192	Under Construction	0%	\$12,285,000	\$0	Under Construction	Under Construction	100%	Oct-06
Renaissance	West Palm Beach	344	Under Construction	0%	\$24,375,000	\$0	Under Construction	Under Construction	100%	Nov-06
Captiva Club	Miami	136	Under Construction	0%	\$6,820,000	\$1,000,000	Under Construction	Under Construction	100%	Sep-05

**Certification:** I hereby certify that this statement is a complete and accurate representation of the cash flows and contingent liabilities as of the date of this statement

**Leon J. Wolfe** **May 14, 2003**

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

**Exhibit 3d**  
**Mara S. Mades**  
**Schedule of Contingent Liabilities**  
**May 14, 2003**

Project Name	Location	No. Of Units	Comp. Date	Current Occup.	First Mortgage	Second Mortgage	Annual Debt Service	Deficit Funding	Type Of Guaranty	Release Date Of Guaranty
Indian Trace	Riveira Beach	330	Under Construction	13%	\$23,770,000	\$0	Under Construction	Under Construction	100%	Jun-08
St. Croix	Broward County	246	Under Construction	0%	\$18,095,000	\$0	Under Construction	Under Construction	100%	Oct-08
San Marco	Ormond Beach	260	Under Construction	45%	\$14,100,000	\$0	Under Construction	Under Construction	100%	Feb-08
Laguna pointe	Broward County	188	Under Construction	0%	\$13,300,000	\$0	Under Construction	Under Construction	100%	Apr-06
Mariners Cove	Tampa	208	Under Construction	28%	\$11,715,000	\$0	Under Construction	Under Construction	100%	Jun-07
Portofino	West Palm Beach	270	Under Construction	0%	\$20,020,000	\$0	Under Construction	Under Construction	100%	Sep-06
Baywinds	Miami	204	Under Construction	20%	\$9,670,000	\$1,000,000	Under Construction	Under Construction	100%	Sep-05
Eagle Pointe	Broward	192	Under Construction	0%	\$12,285,000	\$0	Under Construction	Under Construction	100%	Oct-06
Renaissance	West Palm Beach	344	Under Construction	0%	\$24,375,000	\$0	Under Construction	Under Construction	100%	Nov-06
Captiva Club	Miami	136	Under Construction	0%	\$6,820,000	\$1,000,000	Under Construction	Under Construction	100%	Sep-05

**Certification:** I hereby certify that this statement is a complete and accurate representation of the cash flows and contingent liabilities as of the date of this statement

**Mara S. Mades**

**May 14, 2003**

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

**Exhibit 3e**  
**Cornerstone Group Development, L.L.C.**  
**Schedule of Contingent Liabilities**  
**May 14, 2003**

Project Name	Location	No. Of Units	Comp. Date	Current Occup.	First Mortgage	Second Mortgage	Annual Debt Service	Deficit Funding	Type Of Guaranty	Release Date Of Guaranty
Indian Trace	Riveira Beach	330	Under Construction	13%	\$23,770,000	\$0	Under Construction	Under Construction	100%	Jun-08
St. Croix	Broward County	246	Under Construction	0%	\$18,095,000	\$0	Under Construction	Under Construction	100%	Oct-08
San Marco	Ormond Beach	260	Under Construction	45%	\$14,100,000	\$0	Under Construction	Under Construction	100%	Feb-08
Laguna pointe	Broward County	188	Under Construction	0%	\$13,300,000	\$0	Under Construction	Under Construction	100%	Apr-06
Mariners Cove	Tampa	208	Under Construction	28%	\$11,715,000	\$0	Under Construction	Under Construction	100%	Jun-07
Portofino	West Palm Beach	270	Under Construction	0%	\$20,020,000	\$0	Under Construction	Under Construction	100%	Sep-06
Baywinds	Miami	204	Under Construction	20%	\$9,670,000	\$1,000,000	Under Construction	Under Construction	100%	Sep-05
Eagle Pointe	Broward	192	Under Construction	0%	\$12,285,000	\$0	Under Construction	Under Construction	100%	Oct-06
Renaissance	West Palm Beach	344	Under Construction	0%	\$24,375,000	\$0	Under Construction	Under Construction	100%	Nov-06
Captiva Club	Miami	136	Under Construction	0%	\$6,820,000	\$1,000,000	Under Construction	Under Construction	100%	Sep-05

**Certification:** I hereby certify that this statement is a complete and accurate representation of the cash flows and contingent liabilities as of the date of this statement

**Leon J. Wolfe, President of Cornerstone Group Development, LLC May 14, 2003**

Signature: \_\_\_\_\_

Date: \_\_\_\_\_