April 20, 2017

Mr. Todd Fowler
Director of Special Assets
Florida Housing Finance Corporation
227 North Bronough Street, Suite 5000
Tallahassee, FL 32301-1329

RE: Heather Glenn Apartments ("Development")
MMRB 2003 Series H / SAIL 2002-131BS / 4% HC 2002-547C
Transfer of Ownership / Renegotiation of State Apartment Incentive Loan ("SAIL") Terms / Additional Subordinate Debt / Subordination of Third Mortgage to SAIL Loan / Assumption and Subordination of SAIL Documents, Multifamily Mortgage Revenue Bonds ("MMRB") Land Use Restriction Agreement ("LURA"), and Extended Low Income Housing Agreement ("ELIHA") / First Mortgage Refinancing / Release of Existing Guarantors

Dear Mr. Fowler:

Florida Housing Finance Corporation ("Florida Housing" or "FHFC") has requested that AmeriNat® ("AmeriNat" or "Servicer") review the request dated April 17, 2017 submitted by Florida Heather Glenn Partners, Ltd. ("Borrower"), a Florida limited partnership, to consent to the transfer of ownership from the Borrower to Sheltering Palms – Heather Glenn, LLC ("SPHG") and to approve the restructuring of the above referenced transaction which will include a new first mortgage loan; assumption and subordination of the existing SAIL Documents, MMRB LURA, and ELIHA; renegotiation of SAIL terms; additional subordinate debt; subordination of the Third Mortgage to the SAIL loan and release of guarantees. Specifically, AmeriNat has been requested to determine that SPHG has the prerequisite financial strength and experience to successfully own and operate the Development.

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

- Bond and SAIL Credit Underwriting Report ("CUR"), dated January 8, 2003, prepared by AmeriNat
- ELIHA, dated December 1, 2004
- MMRB LURA, dated March 25, 2003
- SAIL Promissory Note, Construction Loan Agreement, and LURA, dated March 25, 2003
- Development's audited financial statements for years ending December 31, 2014 and 2015
- Appraisal Report from Southeast Realty Consultants, dated March 23, 2017
- FHFC Occupancy Reports
- Development's Annual Management Review and Physical Inspection dated February 1, 2017
- Real Estate Purchase and Sale Agreement dated February 21, 2017
- Assignment of Purchase and Sale dated March 31, 2017
- Borrower's Source and Use of Funds Schedule

- Sheltering Palms's unaudited financial statement dated February 28, 2017 and verifications of deposits
- Development's Operating Pro Forma for the trailing 12 months as of February 28, 2017
- FHFC Past Due Report dated February 13, 2017
- FHFC Noncompliance Report dated February 13, 2017
- Property Management Agreement dated March 31, 2017

Background Summary

Heather Glenn Apartments are located at 1600 Hunt Club Street, Fort Walton Beach, Okaloosa County, Florida, 32547. The Development consists of 7 garden-style apartment buildings containing 168 units. There are 40 one bedroom and one bathroom units, 72 two bedrooms and two bathroom units, 32 three bedrooms and two bathroom units and 24 four bedrooms and three bathroom units.

The Borrower is a Florida Limited Partnership formed to own and operate the Development. The initial General Partner was CED Capital Holdings 2002 II, L.L.C. ("General Partner") with a 0.01% ownership interest. Alan H. Ginsburg was the 100% member of the General Partner. The initial limited partner was AmSouth Bank, or its assigns, with a 99.99% limited partner interest. According to the Development's Audited Financial Statements ending December 31, 2015, on October 28, 2014, RBC Tax Credit Manager II, Inc. and Nationwide Affordable Housing Fund XXVI – Apollo Tax Credit Fund-XLVIII, LLC transferred ownership as special limited partner and investment limited partner, respectively, to Heather Glenn Investment Partners, LLC. ("HGIP").

The Development was primarily funded with a Tax-Exempt Bond Allocation (2003 Series H) issued by Florida Housing, a SAIL loan from Florida Housing, and capital contributions derived from the sale of 4% Housing Credits ("HC") to AmSouth Bank.

A first mortgage loan in the amount of $7,560,000 was initially funded from the proceeds of the sale of tax-exempt MMRB issued by FHFC with a maturity date of June 15, 2036. Payments of interest and principal are made to US Bank, N.A. (the "Trustee"). The MMRB have a variable rate of interest as determined by the Trustee in accordance with the Trust Indenture, dated March 1, 2003. According to the 2015 Audited Financial Statement, to protect against fluctuations in interest rates, the Partnership purchased an interest rate cap agreement for a period of five years commencing in December 15, 2013. The cost of the cap agreement is equal to $27,050. The cap agreement provides for a fixed interest rate of 6.52 percent. As of December 31, 2015 and 2014, the notional amount of the rate cap agreement was $6,110,000 and $6,210,000, respectively, which equals the principal amounts of the mortgage bonds payable. The current outstanding balance of the MMRB is $5,910,000. The first mortgage will be satisfied by the Borrower as part of the purchase of the Development and the MMRB will be redeemed in accordance with the Trust Indenture.

According to the Promissory Note dated March 25, 2003, the Borrower closed on a SAIL loan of $1,500,000 from Florida Housing that matures June 20, 2036. The SAIL loan is non-amortizing and bears interest at 3% simple interest per annum. Payments of interest are made annually, to the extent that Development cash flow is available. Any unpaid interest is deferred until cash flow is available. All outstanding unpaid interest and principal are due at maturity. According to a loan schedule prepared by AmeriNat, as of the estimated closing date of May 22, 2017, the Borrower will have accrued interest of $62,506.85. Annual payments of all applicable fees are also required.

Operation of the subject is restricted by terms and conditions detailed in various loan documents, including but not limited to the MMRB LURA, SAIL LURA and ELIHA.

Per the MMRB LURA, 11% of the units (19 units) are set aside for tenants having incomes at or below 50% or less of the Area Median Income ("AMI") and 74% of the units (124 units) are set aside for tenants having incomes at or below 60% or less of AMI, for a total set-aside of 85% of the units for a period of 50 years.

Per the SAIL LURA, 11% of the units (19 units) are set aside for tenants with incomes at or below 50% of AMI and 88% of the units (148 units) are set aside for tenants with incomes at or below 60% AMI, for a total set aside of 99% of the units for a period of 50 years.

Per the ELIHA, 100% of the units (168 units) are set aside for tenants having incomes at or below 60% or less of AMI for a period of 50 years.

According to the most recent Florida Housing Program Report, as of March 31, 2017, the Development reported occupancy at a rate of 94.05% with ten vacant units.

AmeriNat reviewed the Development's February 1, 2017 Annual Management Review and Physical Inspection, performed by AmeriNat's Compliance Department. AmeriNat found the review reflected the Development was in noncompliance for the following:

- Failure to perform the required first anniversary income determination (Compliance Procedures Rule 67-53 F.A.C.)
- Failure to maintain the overall set-aside in the ELIHA
- Failure to maintain the overall set-asides in the SAIL LURA

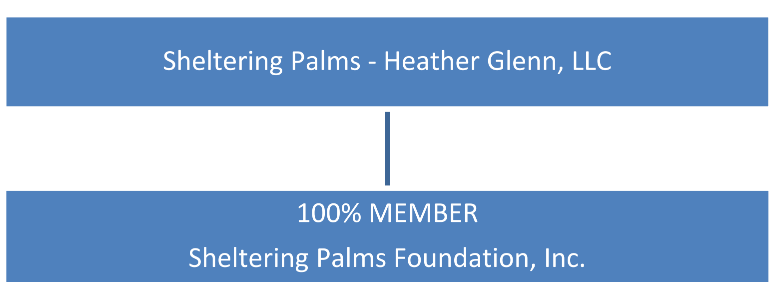
A response was received by a representative of Concord Management, Ltd., the management company, however, the response did not cure the outstanding noncompliance issues. An outstanding items letter was issued to Concord Management, Ltd. and a follow up response is required prior to May 4, 2017.

According to the FHFC Noncompliance Report dated February 13, 2017, the following noncompliance issue exists for the Development:

- Heather Glenn - MMRB Series 2003 H/SAIL 2002-131S/HC 2002-547C - Failure to complete first anniversary income determination. Last activity: Letter to Owner 2/21/2017

According to the FHFC Past Due Report dated February 13, 2017, no past due issue exists for the Development.

Proposed Ownership Structure:



The Borrower requests Florida Housing's approval of the transfer of ownership in the Development to be acquired by SPHG, a Florida limited liability company formed March 8, 2017, whose sole member is Sheltering Palms Foundation, Inc. ("Sheltering Palms"), a nonprofit corporation formed in the State of

Texas on June 25, 1997. According to the Real Estate Purchase and Sale Agreement dated February 21, 2017, and amended by the Assignment of Purchase and Sale dated March 31, 2017, SPHG has agreed to purchase the Development for $16,800,000.

According to a letter dated March 28, 2017, SPHG is recently formed and has no financial statements, liquidity statements, tax returns, real estate owned or contingent liabilities. Sheltering Palms has owned 15 multifamily properties totaling 3,760 units, including two developments previously financed by FHFC; however, all properties have been sold and are no longer under ownership.

The evaluation of the financial capacity of Sheltering Palms is based upon unaudited financial statements, dated February 28, 2017, and the 2014 and 2015 Form 990 - Return of Organization Exempt from Income Tax, which were reviewed by AmeriNat and found to be satisfactory. The majority of the Sheltering Palm's assets are represented by Cash, Escrow Funds and a Note Receivable. Liabilities consist mainly of a previous pledge of funds. AmeriNat reviewed Sheltering Palm's February 28, 2017 bank statements, which confirms liquidity held by Morgan Stanley and Bank of America, N.A. in accordance with the financial statements and found them to be satisfactory.

Restructuring Overview

Source	Lender	Underwriter's Total	Interest Rate	Amortization Years	Term Years	Annual Debt Service
First Mortgage	Hunt	$11,900,000	4.25%	30	10	$702,490
Second Mortgage	FHFC	$750,000	3.00%	n/a	19	$22,500
Third Mortgage	Mr. Harvey Polly	$2,000,000	8.00%	30	30	$176,103
Developer Equity	Sheltering Palms	$3,862,668				
	Total :	**$18,512,668**				**$901,094**

First Mortgage

AmeriNat reviewed a Summary of Terms dated April 11, 2017 that was executed by Hunt Mortgage Group, LLC ("Hunt") that provides the terms for which Hunt will provide credit enhancement in the form of a Fannie Mae 501(c)(3) mortgage backed security for $11,900,000 ("First Mortgage Loan") of tax exempt bonds to be issued by Capital Trust Agency, Inc. and marketed by Stifel, Nicolaus & Company, Incorporated ("Stifel"). The final loan amount will be sized by Hunt not to exceed 70% of the loan-to-value ("LTV") of the "as-is" value and a minimum debt service coverage ratio ("DSC") of not less than 1.30x. The Summary of Terms for the First Mortgage Loan states the loan will be for a term of 10 years, will amortize over a 30 year period, and monthly payments of principal and interest will be calculated based upon a fixed interest rate, which was estimated to be 4.00%. Per the Summary of Terms, the stated interest rate is based on current market conditions and is subject to change based on investor needs and treasury market fluctuations. As such, AmeriNat added a 25 basis point ("bps") cushion to account for market uncertainty. The First Mortgage Loan will have Yield Maintenance for the first 114 months of the loan term (1% minimum, 1% thereafter) with no premium due during final 90 days of the loan term.

Fannie Mae will require that Subordination Agreements for the SAIL Documents, MMRB LURA, and ELIHA (as applicable), be executed by FHFC, in favor of the First Mortgage Loan Documents. All subordinate debt is subject to payment out of 75% of surplus cash after the Hunt debt service payments.

SAIL

The request letter from Sheltering Palms included a request to assume the SAIL loan. The Borrower has agreed to make a SAIL payment concurrent with the closing of the new First Mortgage Loan of $750,000 with the final amount to be determined at closing. Following the SAIL loan payment, the SAIL loan will have an outstanding balance of $750,000.

Subordinate Debt

AmeriNat received a Summary of Terms executed by Stifel for the Subordinate Debt dated April 12, 2017. The Subordinate Note is expected to be in an amount of $2,000,000 and in the form of tax exempt bonds to be purchased by Mr. Harvey Polly and secured by a third mortgage and third lien on the property. Semiannual payments of principal and interest will be made to a fiscal agent on January 1 and July 1, beginning January 1, 2018, based upon an estimated 8% interest and 30 year amortization period. The Summary of Terms states the loan may be resized to an amount up to 85% LTV although certain approvals from the Lender may allow for up to 90% LTV. An executed commitment letter from Mr. Polly that agrees to the purchase of the MMRB and summarizes the terms of the third mortgage is a condition precedent to the finalization of this recommendation.

Equity

Sheltering Palms will provide $3,862,668 of equity in order to complete the transaction. AmeriNat reviewed bank statements dated February 28, 2017 that confirm Sheltering Palms has sufficient equity to complete the transaction.

Mr. Todd Fowler
Heather Glenn Apartments
April 20, 2017

Projected Operating Pro Forma

FINANCIAL COSTS:			Year 1	Year 1 Per Unit
OPERATING PRO FORMA				
INCOME:	Gross Potential Rental Income		**$1,725,600**	**$10,271**
	Other Income			**$0**
	Ancillary Income		$200,000	**$1,190**
	Gross Potential Income		**$1,925,600**	**$11,462**
	Less:			
	Physical Vac. Loss	Percentage: 5.00%	$96,280	**$573**
	Collection Loss	Percentage: 1.00%	$19,256	**$115**
Total Effective Gross Income			**$1,810,064**	**$10,774**
EXPENSES:	Fixed:			
	Real Estate Taxes		$74,478	**$443**
	Insurance		$39,480	**$235**
	Other			**$0**
	Variable:			
	Management Fee	Percentage: 4.00%	$78,000	**$464**
	General and Administrative		$63,000	**$375**
	Payroll Expenses		$225,456	**$1,342**
	Utilities		$127,680	**$760**
	Marketing and Advertising		$33,600	**$200**
	Maintenance and Repairs/Pest Control		$75,600	**$450**
	Grounds Maintenance and Landscaping		$37,800	**$225**
	Other: Non-Revenue Unit		$12,600	**$75**
	Reserve for Replacements		$50,400	**$300**
Total Expenses			**$818,094**	**$4,870**
Net Operating Income			**$991,970**	**$5,905**
Debt Service Payments				
First Mortgage - Hunt/Fannie Mae			$702,490	**$4,181**
Second Mortgage - SAIL			$22,500	**$134**
Third Mortgage - Subordinate Debt			$176,103	**$1,048**
Other Fees - SAIL LS, CM, FM Fees			$3,940	**$23**
Total Debt Service Payments			**$905,034**	**$5,387**
Cash Flow after Debt Service			**$86,936**	**$517**
			Annual	Per Unit
Debt Service Coverage Ratios				
DSC - First Mortgage			**1.41**	
DSC - Second Mortgage			**1.37**	
DSC - Third Mortgage			**1.10**	
DSC - All Mortgages and Fees			**1.10**	
Financial Ratios				
Operating Expense Ratio			**45.20%**	
Break-even Economic Occupancy Ratio (all debt)			**89.49%**	

1. A 6.00% total economic vacancy rate (5.00% physical and 1.00% collection loss) was concluded by the appraisal and was relied upon by AmeriNat for underwriting purposes.
2. A Tax Credit Management Agreement dated April 1, 2017 was submitted between SPHG and Maestri-Murrell Property Management, LLC (“MMPM”), which provides for compensation at the greater of 4.00% of Gross Receipts or $6,500 per month. The term of this Agreement is for one year. After the initial term, the Agreement shall continue on an annual basis until terminated by either party upon 45 days prior written notice to the other.
3. The appraisal concludes Replacement Reserves of $225 per unit per year are necessary for the Development to maintain itself as a competitive development. However, by SAIL Rules effective as of September 15, 2016, the minimum required replacement reserve deposit is $300 per unit per year.
4. Based upon an estimated Net Operating Income of $991,970, the DSC ratios of the first mortgage loan only and combined first mortgage loan and SAIL (as reduced) are 1.41 to 1.00 and 1.37 to 1.00, respectively, which meet minimum FHFC DSC underwriting requirements.
5. The appraisal indicates an unrestricted market value, as of March 23, 2017, of $18,600,000. The resulting first mortgage Loan-to-Value (“LTV”) and combined First Mortgage Loan and SAIL loan LTV ratios are 63.98% and 68.01%, respectively, which meet minimum FHFC LTV underwriting requirements.

Sources and Uses

SPHG provided AmeriNat with an estimate of the overall sources and uses of funds:

Sources		
New 1st Mortgage	$	11,900,000
Assumption of SAIL	$	750,000
Subordinate Debt	$	2,000,000
Equity	$	3,112,668
Total Sources	**$**	**17,762,668**

Uses		
Existing First - Principal	$	5,910,000
SAIL Principal Pay Down	$	750,000
SAIL Interest (estimate)	$	62,507
Cash to Current Borrower and Seller	$	10,077,493
Tax and Insurance Escrow	$	115,000
Repairs	$	2,000
Replacement Reserve Escrow	$	50,400
Fannie Mae Costs	$	40,000
Mortgage Lender Costs	$	182,500
Real Estate Costs	$	120,000
Bond Underwriter Fee	$	137,500
Bond Cost of Issuance	$	227,750
MMRB Contingency	$	50
MMRB CM Fees (estimate)	$	87,468
Total Uses	**$**	**17,762,668**

Property Management Information

Concord Management Company has managed the Development since its inception and the selection of the management has been approved by FHFC's Asset Management Department. However, a change in management has been requested to MMPM, a Louisiana limited liability company, or its affiliate.

Founded by Lawrence Maestri and George Murrell, MMPM has grown from one employee in 1989 managing multi-family properties to 138 employees today managing and brokering a diverse portfolio of commercial, retail and multi-family properties throughout Louisiana and Mississippi including 36 properties and 5,143 units that were constructed using various types of financing including conventional loans, HUD insured loans, Tax-Exempt Bonds, Section 8 and Tax Credit programs.

A Tax Credit Management Agreement dated April 1, 2017 was submitted between SPHG and MMPM, which provides for compensation at the greater of 4% of Gross Receipts or $6,500 per month. The term of this Agreement is for one year. After the initial term, the Agreement shall continue on an annual basis until terminated by either party upon 45 days prior written notice to the other.

MMPM appears to demonstrate sufficient experience in the management of affordable multifamily housing to serve as the Property Manager for the Development. However, the selection of MMPM to manage the Development must be approved by the FHFC's Asset Management Department pursuant to

Rule Chapter 67-53. As the Development is occupied, said approval is a condition precedent to closing as illustrated below in the Recommendation Section.

Recommendations

AmeriNat's review indicates that SPHG through is sole member has the prerequisite strength and experience to successfully own and operate the Development. AmeriNat concludes that the restructuring meets Florida Housing's underwriting standards and notes that FHFC will receive a SAIL principal payment.

Accordingly, AmeriNat recommends that FHFC consent to and approve the transfer of ownership; the restructuring of the above referenced transaction which will include new first mortgage financing, assumption and subordination of the SAIL Documents, MMRB LURA, and the ELIHA (as applicable) to the new first mortgage loan; renegotiation of SAIL terms to evidence reduction of the SAIL principal, additional subordinate debt; subordination of the Third Mortgage to the SAIL loan and release of the existing Guarantors and the replacement with the new Guarantors; and modification of any other loan documents as required to effectuate the refinancing, subject to the following:

1. Review of final first mortgage loan terms and confirmation that FHFC underwriting standards have been met.
2. Receipt of SAIL principal payment in the amount of $750,000.
3. Payment of 3% SAIL accrued interest separate from the SAIL principal pay down.
4. SPHG 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.
5. Review and approval of all loan documents consistent with the terms outlined above by Florida Housing, its legal counsel and Servicer.
6. Payment of any outstanding arrearages to Florida Housing, its Legal Counsel, Servicer or any Agent or Assignee of Florida Housing for past due issues applicable to the Development Team (Borrower or Developer or Principal, Affiliate or Financial Beneficiary, as described in Rule Chapters 67-21.003 (11) and 67-48.0075(5) F.A.C., of a Borrower or a Developer).
7. Receipt of a non-refundable renegotiation fee equal to one-half of one percent of the SAIL principal balance amount on the date of the closing of the refinancing of the First Mortgage Loan.
8. Receipt of a non-refundable transfer fee equal to one-tenth of one percent of the SAIL principal balance on the date of the closing of the transfer.
9. Prepayment of any required compliance monitoring fees and servicing fees, as applicable.
10. Satisfactory resolution of any outstanding Florida Housing noncompliance and past due items.
11. Receipt and satisfactory review of verification that Florida Housing has approved the selection of the management company, MMPM, prior to MMPM assuming management responsibilities at the Development.
12. Payment of all costs and fees to Florida Housing, its legal counsel, and Servicer associated with the general partnership transfer.
13. Receipt of a non-refundable MMRB transfer fee of $2,500.

14. Repayment of outstanding FHFC MMRB 2003 Series H and satisfaction of the existing first mortgage.
15. Consent of the Equity Provider as deemed applicable.
16. Any other requirement of Florida Housing, its legal counsel and servicer.

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

Sincerely,

Kyle Kuenn
Senior Credit Underwriter