

Florida Housing Finance Corporation

Credit Underwriting Report

Bristol Bay Apartments

SAIL Program

2005-120S

Section A Report Summary

Section B SAIL Program Special and General Conditions

Section C Supporting Information and Schedules

Prepared by

Seltzer Management Group, Inc.

Final Report

February 17, 2006

BRISTOL BAY APARTMENTS

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Section A
Report Summary

Recommendation

Seltzer Management Group, Inc. ("Seltzer" or "SMG") recommends a Supplemental State Apartment Incentive Loan ("SAIL") Program Loan in the amount of \$1,000,000 for a total of \$3,000,000 be awarded to Bristol Bay Associates, Ltd. ("Applicant"), by Florida Housing Finance Corporation ("Florida Housing" or "FHFC") for Permanent Financing of the Subject Development.

DEVELOPMENT & SET-ASIDES																					
Location	1241 S. 50th Street in unincorporated Tampa, Hillsborough County, FL 33619																				
Number of Units/Unit Mix	<table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Bed-rooms</th> <th>Baths</th> <th>No. of Units</th> <th>Unit Size (SF)</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">1</td> <td style="text-align: center;">1</td> <td style="text-align: center;">72</td> <td style="text-align: center;">700</td> </tr> <tr> <td style="text-align: center;">2</td> <td style="text-align: center;">2</td> <td style="text-align: center;">132</td> <td style="text-align: center;">924</td> </tr> <tr> <td style="text-align: center;">3</td> <td style="text-align: center;">2</td> <td style="text-align: center;">96</td> <td style="text-align: center;">1,155</td> </tr> <tr> <td colspan="2" style="text-align: center;">Totals</td> <td style="text-align: center;">300</td> <td style="text-align: center;">283,248</td> </tr> </tbody> </table>	Bed-rooms	Baths	No. of Units	Unit Size (SF)	1	1	72	700	2	2	132	924	3	2	96	1,155	Totals		300	283,248
Bed-rooms	Baths	No. of Units	Unit Size (SF)																		
1	1	72	700																		
2	2	132	924																		
3	2	96	1,155																		
Totals		300	283,248																		
Demographic Commitment	Family																				
SAIL Set-Asides	100% of the units at 60% or less Area Median Income ("AMI")																				
Set-Aside Term	50 Years Note: An October 15, 2003, Hillsborough County SHIP Loan of \$391,000 requires the designation of twelve units as SHIP Units. Six units are Rent and Income Reserved at 50% or less AMI and six units are Income and Rent Reserved at 60% AMI.																				
County Size	Large (E)																				
Development Category	New Construction																				
Development Type	Garden Apartments																				
Occupancy Rate	Stabilized Occupancy of 97% as of December 2005 was reported by on-site Bristol Bay Management to Realvest Appraisal Services, Inc. ("Realvest"), Maitland, Florida. It was 94% per Florida Housing's on-line Occupancy Reports.																				
Parking	The Subject Development will have 632 Parking Spaces, 20 of which are handicapped.																				
Improvements	The Subject Development will consist of 300 units in fifteen garden-style Residential Buildings with three Accessory Buildings (Clubhouse, Maintenance Building and Gatehouse)																				

Site Acreage	27.07 Gross Acres per September 23, 2003, ALTA/ASCM Land Title Survey by Post, Buckley, Schuh & Jernigan, Inc. ("PBS&J"), Consulting Engineers, Tampa, FL
Density	11.08 units per Gross Acre
Zoning	PD-MU (Planned Development - Mixed Use); 300 units allowed
Flood Zone Designation	Flood Zone "A-10" per PBS&J Survey. Flood Insurance is required.
DEVELOPMENT TEAM	
Applicant/Borrower	Bristol Bay Associates, Ltd., a Florida Limited Partnership registered with the State of Florida December 7, 2001
General Partner/Members	Cornerstone Bristol Bay, LLC (Cornerstone Bristol Bay"), a Florida Limited Liability Company with a 0.01% Ownership Interest, registered with the State of Florida December 6, 2001. Members of Cornerstone Bristol Bay are JL Holding Corp. ("JL Holding"), a Florida Corporation controlled by Jorge Lopez (50%), Stuart I. Meyers Family Partnership, Ltd. ("Meyers Family"), a Florida Limited Partnership controlled by Stuart I. Meyers (30%), M3, Inc. ("M3"), a Florida Corporation controlled by Leon J. Wolfe (10%) and MSM, Inc. ("MSM"), a Florida Corporation controlled by Mara S. Makes (10%).
Investor Limited Partner/Syndicator	The Investor Limited Partner is MMA Financial Warehousing, LLC, ("MMA") a Maryland Limited Liability Company. Per a First Amended and Restated Agreement of Limited Partnership dated as of October 1, 2003, MMA acquired a 99.99% Ownership Interest.
Guarantor(s)	Bristol Bay Associates, Ltd., Cornerstone Bristol Bay, LLC, Cornerstone Group Development, LLC, and Cornerstone Group Development Corporation, plus Jorge Lopez, Stuart I. Meyers, Leon J. Wolfe and Mara S. Makes, individually.
Developer	Cornerstone Group Development, LLC, Coral Gables, FL
General Contractor	Alliance Construction, LLC ("Alliance"), Coral Gables, FL, a related entity owned 50% by JL Holding (Mr. Lopez), 30% by SIM Interests, Inc. (Mr. Meyers), 10% by M3 (Mr. Wolfe) and 10% by MSM (Ms. Makes).
Management Company	Cornerstone Residential Management, LLC, Coral Gables, FL, a related entity owned 50% by JL Holding (Mr. Lopez), 30% by SIM Interests, Inc. (Mr. Meyers), 10% by M3 (Mr. Wolfe) and 10% by MSM (Ms. Makes).
First Mortgage Lender	FHFC
Credit Enhancer on First Mortgage – Construction	Florida Affordable Housing Guarantee Program ("Guarantee Program")

Credit Enhancer on First Mortgage – Permanent	Guarantee Program
FINANCING INFORMATION	
FHFC Programs	Multifamily Mortgage Revenue Bond (“MMRB”) and SAIL Programs
Total First Mortgage Loan Amount	Tax-Exempt Bonds originally issued October 1, 2003, by FHFC in the amount of \$15,500,000, subsequently paid down to \$13,900,000.
	“All-In” Underwritten Interest Rate
	6.050%, Fixed
	Term/Amortization
	41.5 / 40
Second Mortgage Loan Amount	SAIL of \$3,000,000
	Underwritten Interest Rate
	3.330%, Fixed
	Term/Amortization
	41.5 / N/A
Restricted Rents/Favorable Financing Appraised Value as Stabilized	\$19,830,000
Restricted Rents/Favorable Financing Loan To Value – First and Second Mortgages	85.224% (MMRB First Mortgage and SAIL Second Mortgage Loans)
Market Rents/Market Financing Appraised Value as Stabilized	\$24,460,000
Market Rents/Market Financing Loan To Value – First and Second Mortgages	69.092% (MMRB First Mortgage and SAIL Second Mortgage Loans)
Projected Net Operating Income	\$1,188,350
Debt Service Coverage - First Mortgage	1.287 (MMRB First Mortgage Loan Only)
Debt Service Coverage - First and Second Mortgages	1.161 (MMRB First Mortgage and SAIL Second Mortgage Loans)
Debt Service Coverage – All Mortgages	1.155 (MMRB First Mortgage, SAIL Second Mortgage and CDFI/SHIP Third Mortgage Loans)
FHFC SAIL Loans to Cost	12.40% (SAIL Second Mortgage)
FHFC Assistance Per Unit	\$56,333 (MMRB and SAIL Second Mortgage Loans)
Syndication Price	\$0.845
MMRB Structure	Fixed Rate Tax-Exempt Bonds
Debt Service Reserve	\$25,000 Guarantee Program Credit Enhancement Reserve

Construction / Permanent Sources:

Source	Lender	Construction	Permanent	Permanent Loan per Unit
Tax-Exempt Bonds	FHFC	\$13,900,000	\$13,900,000	\$46,333
SAIL Second Mortgage Loan	FHFC	\$3,000,000	\$3,000,000	\$10,000
CDFI/SHIP Third Mortgage Loan	NLPI	\$359,000	\$359,000	\$1,197
SHIP Fourth Mortgage Loan	Hillsborough Co.	\$391,000	\$391,000	\$1,303
Housing Credit Equity	MMA Financial	\$5,201,150	\$6,159,000	\$20,530
Deferred Developer Fee	Cornerstone	\$1,349,078	\$391,228	\$1,304
Total		\$24,200,228	\$24,200,228	\$80,667

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?	X	
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?		1
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?		2
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?	N/A	
Is the Development in all other material respects the same as presented in the Application?	X	

(Revised 8/14/03)

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

1. Applicant committed in the SAIL Application to Double-Pane Glass in all Windows. The Construction Engineer reports, however, that Single-Pane Windows with a Shading Coefficient of 0.67 or better were installed in accordance with the MMRB Loan Features/Amenities Commitment and in accordance with the Architectural Plans and Specifications. Both Energy Conservation Features get two points under Florida Housing's scoring system. Seltzer's recommendation is unaffected by the window issue.
2. Estimated Development Costs have increased \$427,980 (1.80%), from \$23,747,248 in the Year 2005 SAIL Application to \$24,200,228. Major components of the increase are:
 - a. Applicant's increase of \$805,687 (5.24%) in Construction Hard Costs, from \$15,388,000 to \$16,193,687. Applicant states the increase represents Change Orders over the life of the Construction Contract.
 - b. An increase of \$95,133 (100.14%) in Legal Fees, to \$190,133.
 - c. The addition of Maintenance/Recreational Equipment as a General Development Cost, at \$45,452.
 - d. The addition of \$10,000 for the Year 2005 SAIL Commitment Fee.
 - e. An increase of \$63,599 (1.82%) in Total Developer Fees, to \$3,569,743.

Note: SMG limits Total Developer Fees to 18.00% of Development Costs before Land and Developer Fees following reclassification of Market Study as a subset of Developer Fees from General Development Costs.

Elimination or reductions in line items such as Builder's Risk Insurance, Environmental Report, Inspection Fees, Property/Liability Insurance, Title and Recording Fees, Utility Connection Fees, Office/Clubhouse Furniture, Miscellaneous Soft Costs, Construction Loan Interest, Construction Loan Credit Enhancement and Permanent Loan Credit Enhancement somewhat offset the above increases.

Note: Applicant's latest figure for Construction Hard Costs is \$53,979 per unit, which is consistent with costs at similar Hillsborough County Affordable Properties SMG has underwritten.

Does the Development Team have any FHFC Financed Developments on the Past Due/Non-Compliance Report?

According to Florida Housing's Asset Management Non-Compliance Report of February 3, 2006, The Cornerstone Group has the following Non-Compliance Items outside of the Correction Period.

1. December 14, 2004, citation for rent restrictions not met. Rent at Bridgewater Place was over the maximum allowed resulting from a fee charged for covered parking spaces.
2. December 9, 2004, citation for physical condition of units. One unit is down at Center Court since November 16, 2004.
3. May 23, 2005, citation for failure to document tenant eligibility. All issues resolved except for four units at Mission Pointe-Jacksonville.

Florida Housing's Past Due Report as of January 10, 2006, indicates The Cornerstone Group has the following Past Due Items.

1. Failure to submit for St. Croix Escrow/Reserve Balances for September 12, 2005, and October 10, 2005.
2. Failure to submit for Hawk's Landing:
 - a. Year 2005 Proposed Budget, due December 1, 2004.
 - b. Year 2005 Proposed Budget and Capital Expenditures, due December 1, 2004.
 - c. Year 2004 Budget vs. Actual and Capital Expenditures Report, due February 15, 2005.
 - d. Rent Rolls, due February 15, 2005.
 - e. Year 2004 Audited Financial Statements, due April 29, 2005.
 - f. Year 2005 Mid-Year Operating Results, due August 15, 2005.
 - g. Year 2006 Proposed Budget and Capital Expenditures, due December 1, 2005.
3. Failure to submit Year 2006 Proposed Budget and Capital Expenditures for Center Court, due December 1, 2005.
4. Failure to submit Year 2006 Proposed Budget and Capital Expenditures for Sundance Pointe, due December 1, 2005.

Closing of the SAIL Program Loan is conditional upon verification that any outstanding Past Due and/or Non-Compliance items noted at the time of closing have been satisfied.

Strengths:

1. The Construction of Bristol Bay is complete. On-site Management reported to Realvest that December of 2005 Occupancy is stabilized at 97%.
2. The Cornerstone Group is a major developer of Multifamily Properties in the State of Florida, having completed 27 Affordable Properties. It has developed three Multifamily Properties in the Tampa-St. Petersburg-Clearwater MSA representing 604 units, with another 208 units under construction.

Other Considerations:

None

Mitigating Factors:

None

Waiver Requests/Special Conditions:

None

Additional Information:

1. Applicant closed June 20, 2005, on a Year 2004 SAIL Second Mortgage Loan of \$2,000,000 (FHFC 2004-066S). The Subject SAIL in the amount of \$1,000,000 (FHFC 2005-120S) will be consolidated with the Year 2004 SAIL through an Allonge to Promissory Note, First Global Modification and Amendment to Florida Housing Finance Corporation SAIL Mortgage and Loan Documents and First Global Modification and Amendment to Florida Housing Finance Corporation SAIL Loan Guaranty Documents.
2. Applicant provided SMG a copy of an April 30, 2003, Construction Contract with Alliance Construction LLC, a related entity, in the amount \$15,388,000. Construction is 100% complete per Site Inspection Report No. 16 dated January 13, 2005, by Consultech & Associates, Inc. ("Consultech"), Tampa, Florida. A January 31, 2005, Final Cost Certification by The Reznick Group, P.C. ("Reznick"), Bethesda, Maryland, reflects Construction Hard Costs of \$16,193,687. Consultech's Site Inspection Report No. 16 reported the original April 30, 2003, Construction Contract Amount of \$15,388,000 (i.e., no Change Orders). Applicant provided SMG a copy of Change Order No. One, dated December 28, 2004, incorporating various Proposed Change Orders ("PCO's") totaling \$805,687. Seltzer's recommendation is contingent upon receipt and satisfactory review of a written analysis of the additional Construction Hard Costs by Consultech.

Issues and Concerns:

None

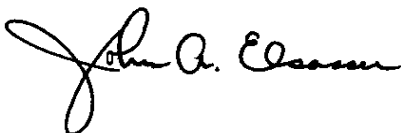
Recommendation:

SMG recommends a Supplemental SAIL of \$1,000,000 for a total of \$3,000,000 be awarded to Bristol Bay Apartments for Permanent Financing of the Subject Development.

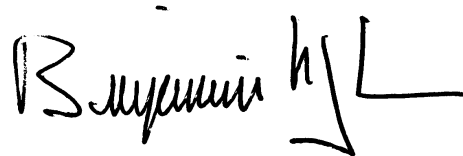
This recommendation is based upon the assumptions detailed in the Report Summary (Section A) and Supporting Information and Schedules (Section C). In addition, Seltzer's recommendation is subject to SAIL Program Conditions (Section B). The reader is cautioned to refer to these sections for complete information. Seltzer's recommendation is valid for six months from the date of this Credit Underwriting Report.

Prepared by:

Reviewed by:



John A. Elsasser
Credit Underwriter



Benjamin S. Johnson
President

OVERVIEW

Construction Financing Sources

Source	Lender	Application	Revised Applicant	Underwriter	Interest Rate	Construction Debt Service
Tax-Exempt Bonds	FHFC	\$13,900,000	\$13,900,000	\$13,900,000	6.050%	\$519,287
SAIL Second Mortgage Loan	FHFC	\$3,000,000	\$3,000,000	\$3,000,000	3.330%	\$0
CDFI/SHIP Third Mortgage Loan	NLPI	\$0	\$359,000	\$359,000	2.000%	\$4,434
SHIP Fourth Mortgage Loan	Hillsborough Co.	\$0	\$391,000	\$391,000	0.000%	\$0
Housing Credit Equity	MMA Financial	\$5,201,150	\$5,201,150	\$5,201,150	n/a	\$0
Deferred Developer Fee	Cornerstone	\$1,646,098	\$1,323,123	\$1,349,078	n/a	\$0
Total		\$23,747,248	\$24,174,273	\$24,200,228		\$523,720

MMRB First Mortgage Loan:

Applicant closed \$15,500,000 of MMRB First Mortgage Construction/Permanent Financing as of October 1, 2003, in the form of a Tax-Exempt Bond Issue issued by FHFC with Credit Enhancement by the Guarantee Program. Proceeds of \$1,600,000 from a Year 2004 SAIL of \$2,000,000 were applied to the MMRB First Mortgage Loan, reducing the outstanding balance to \$13,900,000. The MMRB First Mortgage Loan has a maximum term of 41.5 years (a 40-year permanent/amortization period following a construction phase of eighteen months) with the "all-in" interest rate fixed at 6.050%. The MMRB First Mortgage Loan required payments of interest only during the Construction Phase. Construction Period Debt Service is calculated based upon an "all in" interest rate of 6.050%, a 12-month construction period and an average outstanding loan balance of 57% of the MMRB Loan amount during construction.

Proposed SAIL:

Applicant has applied for a Supplemental (Year 2005) SAIL in the amount of \$1,000,000, to be funded by FHFC for the Permanent Financing of the Subject Development. Please see the Permanent Financing Sources section of this Credit Underwriting Report for further information on the requested SAIL.

Additional Sources of Funds:

Additional Sources of Funds for the Subject Development during construction were a Year 2004 SAIL Program Loan, a CDFI/SHIP Loan administered by Neighborhood Lending Partners, Inc. ("NLPI"), Tampa, FL, a Hillsborough County SHIP Loan, Federal Low Income Housing Tax Credits ("HC") and Deferred Developer Fees.

Construction/Stabilization Period:

Construction was 100% Complete at the time the Year 2004 SAIL was funded. Occupancy is stabilized, with a December 2005 Occupancy Rate of 97% reported by on-site management. Based upon a 12-month Construction Phase and a projected Absorption Rate of 25 units per month, SMG utilizes a Construction/Stabilization Phase of 18 months for purposes of this Credit Underwriting.

Permanent Financing Sources

Source	Lender	Application	Revised Applicant	Underwriter	Interest Rate	Amort. Yrs.	Term Yrs.	Annual Debt Service
Tax-Exempt Bonds	FHFC	\$13,900,000	\$13,900,000	\$13,900,000	6.050%	40	41.5	\$923,577
SAIL Second Mortgage Loan	FHFC	\$3,000,000	\$3,000,000	\$3,000,000	3.330%	n/a	41.5	\$99,902
CDFI/SHIP Third Mortgage Loan	NLPI	\$0	\$359,000	\$359,000	1.500%	n/a	31.5	\$5,385
SHIP Fourth Mortgage Loan	Hillsborough Co.	\$0	\$391,000	\$391,000	0.000%	n/a	30.0	\$0
Housing Credit Equity	MMA Financial	\$6,159,000	\$6,159,000	\$6,159,000	n/a	n/a	n/a	\$0
Deferred Developer Fee	Cornerstone	\$688,248	\$365,273	\$391,228	n/a	n/a	n/a	\$0
Total		\$23,747,248	\$24,174,273	\$24,200,228				\$1,028,864

MMRB First Mortgage Loan Structure and Credit Enhancement:

Applicant closed \$15,500,000 of MMRB First Mortgage Construction/Permanent Financing as of October 1, 2003, in the form of a Tax-Exempt Bond Issue issued by FHFC with Credit Enhancement by the Guarantee Program. Proceeds of \$1,600,000 from a Year 2004 SAIL of \$2,000,000 were applied to the MMRB First Mortgage Loan, reducing the outstanding balance to \$13,900,000. The MMRB First Mortgage Loan has a maximum term of 41.5 years (a 40-year permanent/amortization period following a construction phase of eighteen months) with the "all-in" interest rate fixed at 6.050%.

The MMRB Loan is secured by a First Mortgage on Bristol Bay Apartments and a First Security Interest in all Personalty of the Subject Development. Reznick's Final Cost Certification as of January 31, 2005, reflected \$25,000 in Reserves Required by Lender(s). Based upon Applicant's prepayment of \$60,000 (one-half the required Replacement Reserves for Years One and Two), Replacement Reserves of \$100 per unit per year, paid monthly, will be paid from Operations 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 FHFC or the Loan Servicer that evidences an increase in the deposit is excessive or unnecessary. Monthly deposits to an Escrow for Property Taxes and Insurance are also required.

Proposed Year 2005 SAIL Program Structure:

Applicant applied to FHFC for a Year 2005 SAIL in the amount of \$1,000,000, to be consolidated with the \$2,000,000 Year 2004 SAIL Second Mortgage Permanent Loan. The consolidated SAIL of \$3,000,000 will be co-terminus with the MMRB First Mortgage Loan from FHFC per a December 15, 2004, Request Letter from MMA, as permitted by SAIL Rule. The SAIL will have an overall term of 41.5 years (a 40-year permanent/amortization period following a construction phase of eighteen months). It will be non-amortizing and will bear 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, however, all principal and unpaid interest will be due. Seltzer's Credit Underwriting assumes SAIL interest payments at 3.330% (Year 2006 base rate plus applicable fees).

CDFI/SHIP Loan administered by NLPI:

NLPI funded a Mortgage Loan to Applicant in the amount of \$359,000 per an October 14, 2003, Multifamily Note and Mortgage recorded October 23, 2004, in the Public Records of Hillsborough County at Book 13239, Pages 502-548. Per the NLPI Firm Commitment dated April 2, 2003, \$117,500 comes from Federal CDFI funds through NLPI, and \$241,500 comes from Hillsborough County SHIP funds. The term is 31.5 years, with interest payable in arrears on a quarterly basis at 2.000% during the Construction/Stabilization Phase and 1.500% following Permanent Loan conversion through October 2010, with equal annual installments of principal and interest due thereafter until maturity in October 2035. NLPI is collateralized by a Third Mortgage on Bristol Bay Apartments

Hillsborough County SHIP Loan:

Hillsborough County funded Applicant a SHIP Mortgage Loan of \$391,000 per an October 15, 2003, SHIP Agreement, Promissory Note, Mortgage and Land Use Restriction Agreement ("LURA"). The related Commitment dated April 7, 2003, indicates the Loan Term is 30 years, with repayment based upon 0.00% interest (only) for Years 1-5, 1.00% interest (only) for Years 6-10 and 1.00% interest plus (amortizing) principal for years 11-30. The Hillsborough County SHIP Loan is secured by a Fourth Mortgage.

Note: The Hillsborough County SHIP Loan requires the designation of twelve units as SHIP Units. Six SHIP Units are Rent and Income Reserved at 50% or less AMI and six SHIP Units are Income and Rent Reserved at 60% or less AMI.

HC Equity:

Per the Amended and Restated Limited Partnership Agreement dated as of October 1, 2003, MMA will make HC Equity Contributions as follows:

Capital Contributions	Amount	Percent of Total	When Due
1st Installment	\$3,059,500	50%	Admission
2nd Installment	\$1,070,825	17%	Later of 50% Completion or transfer of 21% interest in GP
3rd Installment	\$1,070,825	17%	75% Completion
4th Installment	\$475,000	8%	Construction Completion
5th Installment	\$200,000	3%	Later of HC Determination or meeting Sec. 42(h)(4) IRS Code
6th Installment	\$282,850	5%	Later of Permanent Loan Conversion; 115% DSC; Form(s) 8609
Total	\$6,159,000	100%	

Annual Tax Credits per Syndication Agreement:	\$728,901
Total HC Syndication:	\$7,288,281
Syndication Percentage (Limited Partner Interest):	99.99%
Calculated HC Exchange Rate (per dollar):	\$0.845
HC Proceeds Available during Construction:	\$5,201,150

Deferred Developer Fees:

Developer Fees of \$391,228 must be deferred during the Permanent Period to balance the Sources and Uses of Funds after receipt of all MMRB and SAIL Loan Proceeds plus HC Equity Contributions.

Uses of Funds

	Application Total Costs	Applicant's Revised Total Costs	Underwriter's Total Costs
Actual Construction Costs			
Construction Contract			
Site Work	\$0	\$0	\$0
Off-Site	\$164,797	\$0	\$0
New Rental Units	\$12,568,108	\$14,204,989	\$14,204,989
Special Inspection Fees	\$45,000	\$0	\$0
Payment & Performance Bonds	\$65,000	\$0	\$0
Recreational Amenities	\$324,314	\$0	\$0
Accessory Buildings	\$350,000	\$0	\$0
Contractor's Fee (Not to Exceed 14%)	\$1,870,781	\$1,988,698	\$1,988,698
Total Construction Contract	\$15,388,000	\$16,193,687	\$16,193,687
Contingency	\$0	\$0	\$0
Total Actual Construction Costs	\$15,388,000	\$16,193,687	\$16,193,687

Notes to the Actual Construction Costs:

1. Applicant provided SMG a copy of an April 30, 2003, Construction Contract with Alliance Construction LLC, Coral Gables, Florida, a related entity, in the amount \$15,388,000. Construction is 100% complete per Consultech's Site Inspection Report No. 16 dated January 13, 2005.

Note: Reznick's January 31, 2005, Final Cost Certification reflects Construction Hard Costs of \$16,193,687. Consultech's Site Inspection Report No. 16 reflects the original April 30, 2003, Construction Contract Amount of \$15,388,000 (i.e., no Change Orders). Applicant provided SMG a copy of Change Order No. One, dated December 28, 2004, incorporating various PCO's totaling \$805,687. Seltzer's recommendation is contingent upon receipt and satisfactory review of a written analysis of the additional Construction Hard Costs by Consultech.

2. Reznick's General Contractor Fees of \$1,988,698 include General Conditions, Overhead and Profit. At 14.00% of the \$16,193,687 Construction Contract plus Change Orders less the General Contractor Fee, itself, General Contractor Fees are within FHFC Guidelines of 14.00% for transactions financed with SAIL and/or HC.

	Application Total Costs	Applicant's Revised Total Costs	Underwriter's Total Costs
General Development Costs			
Accounting Fees	\$25,000	\$30,928	\$30,928
Appraisal	\$17,000	\$12,000	\$17,000
Architect's Fee - Design	\$183,002	\$222,281	\$222,281
Architect's Fee - Supervision	\$45,000	\$9,070	\$9,070
Builder's Risk Insurance	\$154,761	\$102,824	\$102,824
Building Permits	\$105,000	\$96,994	\$96,994
Lease Up Deficit Operating Funds	\$0	\$0	\$0
Closing Costs - Construction	\$0	\$0	\$0
Closing Costs - Permanent	\$0	\$0	\$0
Engineering Fee	\$119,432	\$119,432	\$119,432
Environmental Report	\$6,115	\$0	\$0
FHFC Administrative Fee	\$58,318	\$61,306	\$61,306
FHFC Application Fee	\$6,000	\$7,000	\$9,000
FHFC Compliance Monitoring Fee	\$0	\$0	\$0
FHFC Credit Underwriting Fee	\$23,165	\$38,035	\$48,729
Impact Fees	\$50,079	\$50,248	\$50,248
Inspection Fees	\$37,500	\$21,135	\$21,135
Property/Liability Insurance	\$41,969	\$9,521	\$9,521
Legal Fees	\$95,000	\$190,133	\$190,133
Market Study	\$8,200	\$5,700	\$0
Marketing and Advertising	\$229,862	\$161,171	\$161,171
Maintenance/Recreational Equipment	\$0	\$45,452	\$45,452
Property Taxes	\$45,000	\$41,856	\$41,856
Soil Test	\$15,000	\$24,215	\$24,215
Survey	\$37,886	\$36,408	\$36,408
Title & Recording Fees	\$66,902	\$2,460	\$2,460
Utility Connection Fees	\$204,283	\$183,858	\$183,858
Other - Office/Clubhouse Furniture	\$125,000	\$87,543	\$87,543
Miscellaneous	\$50,000	\$20,783	\$20,783
Total General Development Costs	\$1,749,474	\$1,580,353	\$1,592,347

Notes to the General Development Costs:

1. General Development Costs are those reported by Reznick in its January 31, 2005, Final Cost Certification, with the following adjustments:
 - a. Addition of \$5,000 for the December 16, 2005, Appraisal Update by Realvest.
 - b. Addition of \$2,000 for Year 2005 FHFC SAIL Application Fee.
 - c. Addition of \$10,694 for Year 2005 SAIL Credit Underwriting Fee.
 - d. Reclassification of Market Study as a subset of Developer Fees.

	Application Total Costs	Applicant's Revised Total Costs	Underwriter's Total Costs
Financial Costs			
Bond Loan Credit Enhancement Fees	\$0	\$0	\$0
Bond Loan Construction Interest	\$1,213,112	\$1,013,523	\$1,013,523
Construction Loan Credit Enhancement	\$151,125	\$63,853	\$63,853
Permanent Loan Credit Enhancement	\$885,209	\$873,494	\$873,494
Secondary Loan Finance Fees	\$0	\$0	\$0
SAIL Loan Commitment Fee	\$0	\$0	\$10,000
Insurance Wrap Fee	\$0	\$0	\$0
Surety Bond Premium	\$0	\$0	\$0
Prepaid Replacement Reserve	\$60,000	\$60,000	\$60,000
Reserves Required by Lender	\$0	\$25,000	\$25,000
Total Financial Costs	\$2,309,446	\$2,035,870	\$2,045,870

Notes to the Financial Costs:

1. Financial Costs are those reported by Reznick in its January 31, 2005, Final Cost Certification, with the addition of the 1.00% SAIL Commitment Fee for the \$1,000,000 Year 2005 SAIL.

	Application Total Costs	Applicant's Revised Total Costs	Underwriter's Total Costs
Non-Land Acquisition Costs			
Building Acquisition Costs	\$0	\$0	\$0
Other	\$0	\$0	\$0
Total Non-Land Acquisition Costs	\$0	\$0	\$0

Notes to the Non-Land Acquisition Costs:

1. Since the Subject Development was new construction, there were no Non-Land Acquisition Costs.

	Application Total Costs	Applicant's Revised Total Costs	Underwriter's Total Costs
Development Cost Before Land and Developer Fee	\$19,446,920	\$19,809,910	\$19,831,904
Other Development Costs			
Developer Fee on Acquisition of Buildings	\$0	\$0	\$0
Developer Fee	\$3,500,444	\$3,565,782	\$3,564,043
Market Study	\$0	\$0	\$5,700
Total Other Development Costs	\$3,500,444	\$3,565,782	\$3,569,743

Notes to the Other Development Costs:

1. SMG reclassifies Market Study as part of Developer Fees.
2. As an Affordable Housing transaction financed with MMRB, SMG limits Total Developer Fee to 18.00% of Development Cost before Land and Developer Fee in accordance with FHFC Underwriting Guidelines.

	Application Total Costs	Applicant's Revised Total Costs	Underwriter's Total Costs
Development Cost Before Land	\$22,947,364	\$23,375,692	\$23,401,647
Land Acquisition Costs			
Land	\$708,232	\$708,232	\$708,232
Other (Land Carry)	\$91,652	\$90,349	\$90,349
Total Land Acquisition Costs	\$799,884	\$798,581	\$798,581

Notes to the Land Acquisition Costs:

1. Applicant purchased a 39.22-acre parcel of land December 28, 2001, for \$1,100,000, however the Bristol Bay Development Site is 27.07 acres. Applicant transferred the remaining 12.15 acres to Landings Associates, Ltd. ("Landings"), a related entity, on October 14, 2003, for later development. A nominal Sales Price of \$1,000 was reflected on the October 14, 2003, Closing Statement.

Extraordinary Development Costs (Off-Site Improvements for a lift station) in the amount of \$164,797 were incurred. The Off-Site costs apply to the development of Landings as well as Bristol Bay. Land Acquisition Costs are allocated to the two developments based upon relative acreage. The allocation amount is \$1,264,797 (Purchase Price of \$1,100,000 plus Off-Site Costs of \$164,797). Land Acquisition Costs calculate to be \$873,029 for Bristol Bay and \$391,768 for Landings. With the \$164,797 Off-Site Costs included in Bristol Bay's Development Budget, the Allowable Land Cost is limited to \$708,232 (the allocated Land Acquisition Cost for Bristol Bay of \$873,029 less the Off-Site costs of \$164,797).

2. Land Carry is Bristol Bay's portion of interest and fees associated with a \$1,000,000 Land Acquisition Loan from First Kensington Bank.
3. Realvest concluded an "as is" Land Value of \$1,215,000 for the 27.07-acre Bristol Bay Development Site as of April 16, 2003, in its Appraisal Update for the MMRB Loan, supporting the Purchase Price.

	Application Total Costs	Applicant's Revised Total Costs	Underwriter's Total Costs
Total Development Cost	\$23,747,248	\$24,174,273	\$24,200,228

Operating Pro forma

DESCRIPTION	ANNUAL	PER UNIT
Revenue		
Gross Potential Rental Revenue	\$2,297,040	\$7,657
Other Income:		
Washer/Dryer Rentals	\$115,200	\$384
Cable Television Income	\$29,250	\$98
Miscellaneous Income	\$42,000	\$140
Interest Income	\$0	\$0
Gross Potential Income	\$2,483,490	\$8,278
Less:		
Vacancy Loss - 4.0%	(\$99,340)	(\$331)
Collection Loss - 1.0%	(\$24,835)	(\$83)
Total Effective Gross Revenue	\$2,359,316	\$7,864
Expenses		
Fixed:		
Taxes	\$195,000	\$650
Insurance	\$120,000	\$400
Variable:		
Management Fees - 5.0%	\$117,966	\$393
General and Administrative	\$87,000	\$290
Payroll Expenses	\$225,000	\$750
Utilities	\$171,000	\$570
Marketing and Advertising	\$30,000	\$100
Maintenance and Repairs	\$105,000	\$350
Grounds Maintenance and Landscaping	\$67,500	\$225
Ground Lease	\$0	\$0
Replacement Reserve	\$30,000	\$100
Contract Services (Trash Removal, Pool Maintenance, Security, etc.)	\$22,500	\$75
Other:	\$0	\$0
Total Expenses	\$1,170,966	\$3,903
Net Operating Income	\$1,188,350	\$3,961
Debt Service Payments		
MMRB First Mortgage Loan	\$923,577	\$3,079
SAIL Second Mortgage Loan	\$99,902	\$333
CDFI/SHIP Third Mortgage Loan	\$5,385	\$18
SHIP Fourth Mortgage Loan	\$0	\$0
Other	\$0	\$0
Total Debt Service Payments	\$1,028,864	\$3,430
Operating Income After Debt Service - Before Tax Cash Flow	\$159,486	\$532

Debt Service Coverage Ratios	
Debt Service Coverage - MMRB First Mortgage Loan	1.287
Debt Service Coverage - MMRB First and SAIL Second Mortgage Loans	1.161
Debt Service Coverage - MMRB, SAIL and CDFI/SHIP Mortgage Loans	1.155
Debt Service Coverage - All Mortgages and Fees	1.155

Financial Ratios	
Operating Expense Ratio	49.6%
Break-Even Ratio	88.6%

Notes to the Operating Pro forma and Ratios:

1. The SAIL Program does not impose Rent Restrictions, however the Subject Development has HC financing, which program imposes Rent Restrictions. SMG utilizes Year 2005 Maximum Restricted Rents as published by FHFC less Utility Allowances per a January 19, 2005, Utility Provider Letter from Tampa Electric Company ("TECO"). Maximum Restricted Rents are supported by the Realvest Market Study dated October 28, 2002 (updated by letter dated July 21, 2003) and the Realvest Appraisal dated December 16, 2005. No Manager/Employee units are contemplated in the Rent Roll, below.

Tampa-St. Petersburg-Clearwater MSA/Hillsborough County

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	2	700	50%	\$488	\$52	\$436	\$436	\$436	\$10,464
1	1	70	700	60%	\$586	\$52	\$534	\$534	\$534	\$448,560
2	2	2	924	50%	\$586	\$69	\$517	\$517	\$517	\$12,408
2	2	130	924	60%	\$703	\$69	\$634	\$634	\$634	\$989,040
3	2	2	1,155	50%	\$678	\$84	\$594	\$594	\$594	\$14,256
3	2	94	1,155	60%	\$813	\$84	\$729	\$729	\$729	\$822,312
Totals		300	283,248							\$2,297,040

2. Washer/Dryer Rentals is based upon 80% of the units renting Washers and Dryers at \$40 per unit per month, which is consistent with Market Comparables and the Appraisal.
3. Cable Television Income represents Net Revenues (after Expenses) from bulk cable television service based upon 65% of the units subscribing to the service, generating \$12.50 per unit per month (net). This estimate is consistent with comparable properties SMG has underwritten in the Tampa area.
4. Miscellaneous Income includes Late Fees, Cancellation Fees, Forfeited Deposits, Vending Income and income from other miscellaneous sources, to total \$140 per unit per year, which is consistent with Market Comparables and the Appraisal.

5. SMG has underwritten Vacancy Loss and Collection Loss at 4.0% and 1.0%, respectively, which are consistent with Market Comparables.
6. SMG underwrites the Subject Development utilizing Management Fees at 5.0% of Total Effective Gross Revenue per an October 8, 2002, Property Management Agreement with Cornerstone Residential Management, LLC, a related company.
7. Other Operating Expenses are Applicant's estimates that, in total, are consistent with Market Comparables and the Appraisal.

Note: Estimated costs associated with Resident Programs committed to in the SAIL Application are de minimis and are included in General and Administrative Expenses.

Note: Utilities include residents' monthly service of Water and Sewer, which Applicant will pay.

Note: Estimated costs associated with Pest Control and Termite Prevention are de minimis and are included in Maintenance and Repairs.

8. Replacement Reserve of \$200 per unit per year are normally required, however Applicant will prepay Replacement Reserves in the amount of \$60,000 (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, paid monthly, 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 FHFC or the Loan Servicer that evidences an increase in the deposit is excessive or unnecessary.
9. Based upon operating data from Comparable Properties, Third-Party Reports (Appraisal and Market Evaluation) and the Credit Underwriter's independent Due Diligence, SMG represents that, in its professional opinion, estimates for Rental Income, Vacancy, Other Income and Operating Expenses fall within a band of reasonableness. For purposes of this analysis, Seltzer's estimates of total Effective Gross Revenue and the total of Operating Expenses are \$713 less and \$10,866 greater, respectively, than those utilized by the Appraiser in determining the Investment Value of the Subject Development under "Restricted Rents and Favorable Financing" assumptions.
10. A 15-year Income and Expense Projection is attached to this report as Exhibit 2.

SMG

Section B

SAIL Program Special and General Conditions

February 17, 2006

Special Conditions

This recommendation is contingent upon the review and approval of the following items by Florida Housing Finance Corporation ("Florida Housing" or "FHFC") and Seltzer Management Group, Inc. ("Seltzer" or "SMG") **at least two weeks prior to SAIL Closing**. Failure to receive approval of these items within this time frame may result in postponement of the State Apartment Incentive Loan ("SAIL") Closing Date.

1. Receipt and satisfactory review of an analysis by Consultech & Associates, Inc. ("Consultech"), Tampa, Florida, of Project Change Order No. One dated December 28, 2004, reflecting Construction Hard Costs \$805,687 beyond the \$15,388,000 in the April 30, 2003, Construction Contract with Alliance Construction LLC ("Alliance"), Coral Gables, Florida, a related entity.

General Conditions

This recommendation is contingent upon the review and approval of the following items by FHFC and SMG **at least two weeks prior to SAIL Closing**. Failure to receive approval of these items within this time frame may result in postponement of the SAIL Loan Closing Date.

1. Borrower to comply with any and all recommendations noted in the Consultech PCA.
2. Signed and sealed Survey, dated within 90 days of SAIL Closing unless otherwise approved by FHFC and its Legal Counsel, based upon the particular circumstances of the transaction. The Survey shall be certified to FHFC and its Legal Counsel, as well as the Title Insurance Company, and shall indicate the Legal Description, Exact Boundaries of the Subject Development, Easements, Utilities, Roads and Means of Access to Public Streets, Total Acreage, Flood Hazard Area, and any other requirements of FHFC.
3. Building Permits and any other necessary Approvals and Permits (e.g., Final Site Plan Approval, Water Management District, Department of Environmental Protection, Army Corps of Engineers, 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 (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) Site Plans and Building Plans and Specifications. The Geotechnical Report must be bound within the final Plans and Specifications.
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 Construction Interest based upon the Final Draw Schedule (see below), documentation of the Closing Costs and draft SAIL 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 Construction Draw Schedule showing itemized Sources and Uses of Funds for each Monthly Draw. SAIL Program Loan Proceeds shall be disbursed on a pro rata basis during the Construction or Rehabilitation Phase, in an amount per Draw that does not exceed the ratio of the SAIL to Total Development Cost net of Deferred Developer Fees, unless

otherwise approved by the Credit Underwriter. The Closing Draw must include back-up and ACH Wiring Instructions.

7. Evidence of General Liability, Flood (if applicable), Builder's Risk and Replacement Cost Hazard Insurance (as Certificates of Occupancy ["C/O's"] are received) reflecting FHFC as Loss Payee/Mortgagee, in Coverages, Deductibles and Amounts satisfactory to FHFC.
8. If the Subject Development is not 100% lien-free completed, 100% Payment and Performance ("P&P") Bond(s) is required to secure the Construction Contract between the General Contractor and Borrower. FHFC must be listed as Co-Obligee. The P&P Bond(s) must be from a company rated at least "A-" by A.M. Best & Co., with a financial size category of at least FSC VI. FHFC and/or its Legal Counsel must approve the source, amount(s) and all terms of the P&P Bond(s).
9. Architect, Construction Consultant and Borrower Certifications on forms provided by FHFC will be required for both "Design" and "As Built" with respect to Section 504 of the Americans with Disabilities Act ("ADA") and the Federal Fair Housing Act, as applicable.

This recommendation is contingent upon the review and approval of the following items by Florida Housing and its legal counsel **at least two weeks before SAIL Closing**. Failure to receive approval of these items within this time frame 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/Principal(s)/Manager(s) of Borrower, the Guarantors and any Limited Partners of Borrower.
2. Signed and sealed Survey, dated within 90 days of SAIL Closing unless otherwise approved by FHFC and its Legal Counsel, based upon the particular circumstances of the transaction. The Survey shall be certified to FHFC and its Legal Counsel, as well as the Title Insurance Company, and shall indicate the Legal Description, Exact Boundaries of the Subject Development, Easements, Utilities, Roads and Means of Access to Public Streets, Total Acreage, Flood Hazard Area, and any other requirements of FHFC.
3. An acceptable, updated Environmental Audit Report, together with a Reliance Letter to FHFC, prepared within 90 days of SAIL Loan Closing, unless otherwise approved by FHFC and Legal Counsel, based upon the particular circumstances of the transaction. Borrower to comply with any and all recommendations noted in the Environmental Assessment(s), Update and Environmental Review, if applicable.
4. Title Insurance Pro Forma or Commitment for Title Insurance, with copies of all Schedule B exceptions, in the amount of the SAIL Loan naming FHFC as the Insured. All Endorsements required by FHFC shall be provided.
5. Florida Housing and its Legal Counsel shall review and approve all other lenders' Closing Documents. FHFC shall be satisfied in its sole discretion that all Legal and Program Requirements for the SAIL have been satisfied.
6. Evidence of General Liability, Flood (if applicable), Builder's Risk and Replacement Cost Hazard Insurance (as Certificates of Occupancy are received) reflecting FHFC as Loss Payee/Mortgagee, in Coverages, Deductibles and Amounts satisfactory to FHFC.

7. 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 and of any Partnership that is the General Partner of Borrower ("GP") and of any Corporation or Partnership that is the Managing General Partner of GP, Guarantor or Manager;
 - b. Authorization, execution, and delivery by Borrower and the Guarantors of all SAIL Documents;
 - c. The SAIL Documents being in Full Force and Effect and enforceable in accordance with their terms, subject to Bankruptcy and Equitable Principles only;
 - d. Borrower's and Guarantor's execution, delivery and performance of the SAIL 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;
 - e. Such other matters as FHFC or its Legal Counsel may require.
8. Evidence of compliance with local Concurrency Laws.
9. Such 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.
10. Uniform Commercial Code ("UCC") Searches for Borrower and its Partnerships, as requested by Legal Counsel.
11. Any other reasonable Conditions established by FHFC and its Legal Counsel.

This recommendation is also contingent upon satisfaction of the following additional Conditions:

1. Compliance with all provisions of Sections 420.507(22) and 420.5087, Florida Statutes, Rule Chapter 67-48, Florida Administrative Code ("F.A.C.").
2. Acceptance by Borrower and execution of all documents evidencing and securing the SAIL in form and substance satisfactory to FHFC, including but not limited to the Promissory Note, Loan Agreement, Mortgage and Security Agreement and Land Use Restriction Agreement ("LURA").
3. At all times there will be un-disbursed Loan Funds (collectively held by FHFC, the First Mortgage Lender and any other sources) sufficient to complete the Subject Development. If at any time there are not sufficient funds (held by FHFC, the First Mortgage Lender 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 (in Florida Housing's judgment) to complete the Subject Development before additional SAIL funds are disbursed. This Condition specifically includes escrowing at SAIL Closing all Syndication and other Equity necessary to complete construction, or another alternative acceptable to FHFC in its sole discretion.
4. If applicable, Guarantors to provide standard FHFC Construction Completion Guarantees, to be released upon Lien-Free Completion as approved by the Servicer.

5. Guarantors to provided standard FHFC Operating Deficit Guarantees, to be released upon achievement for six consecutive months of a 1.10 combined Debt Service Coverage (“DSC”) for the Multifamily Mortgage Revenue Bond (“MMRB”) First Mortgage and SAIL Loans.
6. Guarantors to provide standard FHFC Environmental Indemnity.
7. Guarantors to provide standard FHFC Guaranty of Recourse Obligations.
8. A Mortgagee Title Insurance Policy naming FHFC as the insured in the amount of the SAIL is to be issued immediately after SAIL Closing. Any exceptions to the Title Insurance Policy must be acceptable to FHFC or its Legal Counsel.
9. Property Tax and Hazard Insurance Escrow are to be established and maintained by the First Mortgage Lender or the Servicer. In the event the Reserve Account is held by Florida Housing’s Loan Servicing Agent, the release of funds shall be at Florida Housing’s sole discretion.
10. Replacement Reserves at \$200 per unit per year are required to be deposited on a monthly basis into a designated Escrow Account, to be maintained by the First Mortgagee or Florida Housing’ Loan Servicing Agent.

However, Applicant has elected to prepay Replacement Reserves, as allowed per Rule 67-048.12, F.A.C., in the amount of \$60,000 (one-half the required Replacement Reserves for Years 1 and 2), in order to meet the Applicable DSC Requirements. It is currently estimated that Replacement Reserves will be funded from Operations in the amount of \$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 FHFC that evidences an increase in the Replacement Reserve Deposit is excessive or unnecessary.

11. A minimum of 10% Retainage Holdback on all Construction Draws until the Development is 50% complete, with 0% Retainage thereafter. Retainage will not be released until successful Construction Completion and issuance of all C/O’s. Construction under the April 30, 2003, \$15,388,000 Construction Contract with Alliance is complete, with the Retainage released.
12. Satisfactory completion of a Pre-Loan Closing Compliance Audit conducted by FHFC or the Servicer, if applicable.
13. Receipt and satisfactory resolution (as determined by FHFC) of any Past Due Items or Non-Compliance Issues according to the latest FHFC Past Due and/or Non-Compliance Reports.
14. Any other reasonable requirements of the Servicer, FHFC or its Legal Counsel.

COMPLETENESS AND ISSUES CHECKLIST

DEVELOPMENT

NAME: Bristol Bay Apartments

DATE: February 17, 2006

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 the Florida Housing Finance Corporation ("Florida Housing" or "FHFC"). The following items must be satisfactorily addressed. "Satisfactorily" means the Credit Underwriter has received assurances from third parties unrelated to Applicant that the transaction can close within the allotted time frame. Unsatisfactory items, if any, are noted below and in the "Issues and Concerns" section of the Executive Summary.

CREDIT UNDERWRITING	STATUS	NOTE
REQUIRED ITEMS:	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/or 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.	

COMPLETENESS AND ISSUES CHECKLIST

10. Audited financial statements for the most recent fiscal year ended or acceptable alternative as stated in the Rule for credit enhancers, applicant, general partner, principals, guarantors 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. HC ONLY: 35% of the total equity to be provided prior to or simultaneously with the closing of the construction financing.	Satis.	
22. Any additional items required by the credit underwriter.	Satis.	

NOTES AND APPLICANT'S RESPONSES:

None

Exhibit 2

**Bristol Bay Apartments 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
Revenue															
Gross Potential Rental Revenue	\$2,297,040	\$2,365,951	\$2,436,930	\$2,510,038	\$2,585,339	\$2,662,899	\$2,742,786	\$2,825,069	\$2,909,822	\$2,997,116	\$3,087,030	\$3,179,641	\$3,275,030	\$3,373,281	\$3,474,479
Other Income:															
Washer/Dryer Rentals	\$115,200	\$118,656	\$122,216	\$125,882	\$129,659	\$133,548	\$137,555	\$141,681	\$145,932	\$150,310	\$154,819	\$159,464	\$164,248	\$169,175	\$174,250
Cable Television Income	\$29,250	\$30,128	\$31,031	\$31,962	\$32,921	\$33,909	\$34,926	\$35,974	\$37,053	\$38,165	\$39,310	\$40,489	\$41,704	\$42,955	\$44,243
Miscellaneous Income	\$42,000	\$43,260	\$44,558	\$45,895	\$47,271	\$48,690	\$50,150	\$51,655	\$53,204	\$54,800	\$56,444	\$58,138	\$59,882	\$61,678	\$63,529
Interest Income	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Gross Potential Income	\$2,483,490	\$2,557,995	\$2,634,735	\$2,713,777	\$2,795,190	\$2,879,046	\$2,965,417	\$3,054,379	\$3,146,011	\$3,240,391	\$3,337,603	\$3,437,731	\$3,540,863	\$3,647,089	\$3,756,501
Less:															
Vacancy Loss - 4.0%	(\$99,340)	(\$102,320)	(\$105,389)	(\$108,551)	(\$111,808)	(\$115,162)	(\$118,617)	(\$122,175)	(\$125,840)	(\$129,616)	(\$133,504)	(\$137,509)	(\$141,635)	(\$145,884)	(\$150,260)
Collection Loss - 1.0%	(\$24,835)	(\$25,580)	(\$26,347)	(\$27,138)	(\$27,952)	(\$28,790)	(\$29,654)	(\$30,544)	(\$31,460)	(\$32,404)	(\$33,376)	(\$34,377)	(\$35,409)	(\$36,471)	(\$37,565)
Total Effective Gross Revenue	\$2,359,316	\$2,430,095	\$2,502,998	\$2,578,088	\$2,655,430	\$2,735,093	\$2,817,146	\$2,901,660	\$2,988,710	\$3,078,372	\$3,170,723	\$3,265,844	\$3,363,820	\$3,464,734	\$3,568,676
Expenses															
Fixed:															
Taxes	\$195,000	\$202,800	\$210,912	\$219,348	\$228,122	\$237,247	\$246,737	\$256,607	\$266,871	\$277,546	\$288,648	\$300,194	\$312,201	\$324,689	\$337,677
Insurance	\$120,000	\$124,800	\$129,792	\$134,984	\$140,383	\$145,998	\$151,838	\$157,912	\$164,228	\$170,797	\$177,629	\$184,734	\$192,124	\$199,809	\$207,801
Variable:															
Management Fees - 5.0%	\$117,966	\$121,505	\$125,150	\$128,904	\$132,772	\$136,755	\$140,857	\$145,083	\$149,436	\$153,919	\$158,536	\$163,292	\$168,191	\$173,237	\$178,434
General and Administrative	\$87,000	\$90,480	\$94,099	\$97,863	\$101,778	\$105,849	\$110,083	\$114,486	\$119,066	\$123,828	\$128,781	\$133,933	\$139,290	\$144,861	\$150,656
Payroll Expenses	\$225,000	\$234,000	\$243,360	\$253,094	\$263,218	\$273,747	\$284,697	\$296,085	\$307,928	\$320,245	\$333,055	\$346,377	\$360,232	\$374,642	\$389,627
Utilities	\$171,000	\$177,840	\$184,954	\$192,352	\$200,046	\$208,048	\$216,370	\$225,024	\$234,025	\$243,386	\$253,122	\$263,247	\$273,777	\$284,728	\$296,117
Marketing and Advertising	\$30,000	\$31,200	\$32,448	\$33,746	\$35,096	\$36,500	\$37,960	\$39,478	\$41,057	\$42,699	\$44,407	\$46,184	\$48,031	\$49,952	\$51,950
Maintenance and Repairs	\$105,000	\$109,200	\$113,568	\$118,111	\$122,835	\$127,749	\$132,858	\$138,173	\$143,700	\$149,448	\$155,426	\$161,643	\$168,108	\$174,833	\$181,826
Grounds Maintenance and Landscaping	\$67,500	\$70,200	\$73,008	\$75,928	\$78,965	\$82,124	\$85,409	\$88,825	\$92,378	\$96,074	\$99,916	\$103,913	\$108,070	\$112,392	\$116,888
Security	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Replacement Reserve	\$30,000	\$30,000	\$60,000	\$60,000	\$60,000	\$60,000	\$62,400	\$64,896	\$67,492	\$70,192	\$72,999	\$75,919	\$78,956	\$82,114	\$85,399
Contract Services (Trash Removal, Pool Maintenance, Security, etc.)	\$22,500	\$23,400	\$24,336	\$25,309	\$26,322	\$27,375	\$28,470	\$29,608	\$30,793	\$32,025	\$33,305	\$34,638	\$36,023	\$37,464	\$38,963
Other:	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Expenses	\$1,170,966	\$1,215,425	\$1,291,627	\$1,339,640	\$1,389,537	\$1,441,391	\$1,497,679	\$1,556,177	\$1,616,973	\$1,680,158	\$1,745,825	\$1,814,073	\$1,885,003	\$1,958,721	\$2,035,338
Net Operating Income	\$1,188,350	\$1,214,670	\$1,211,371	\$1,238,447	\$1,265,894	\$1,293,703	\$1,319,467	\$1,345,483	\$1,371,737	\$1,398,214	\$1,424,898	\$1,451,772	\$1,478,817	\$1,506,013	\$1,533,339
Debt Service Payments															
MMRB First Mortgage Loan	\$923,577	\$923,577	\$923,577	\$923,577	\$923,577	\$923,577	\$923,577	\$923,577	\$923,577	\$923,577	\$923,577	\$923,577	\$923,577	\$923,577	\$923,577
SAIL Second Mortgage Loan	\$99,902	\$99,902	\$99,902	\$99,902	\$99,902	\$99,902	\$99,902	\$99,902	\$99,902	\$99,902	\$99,902	\$99,902	\$99,902	\$99,902	\$99,902
CDFI/SHIP Third Mortgage Loan	\$5,385	\$5,385	\$5,385	\$5,385	\$5,385	\$5,385	\$5,385	\$5,385	\$5,385	\$5,385	\$5,385	\$5,385	\$5,385	\$5,385	\$5,385
SHIP Fourth Mortgage Loan	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Debt Service Payments	\$1,028,864	\$1,028,864	\$1,028,864	\$1,028,864	\$1,028,864	\$1,027,069	\$1,027,069	\$1,027,069	\$1,027,069	\$1,027,069	\$1,045,057	\$1,045,057	\$1,045,057	\$1,045,057	\$1,045,057
Operating Income After Debt Service - Before Tax Cash Flow	\$159,486	\$185,806	\$182,507	\$209,584	\$237,030	\$266,634	\$292,399	\$318,414	\$344,668	\$371,145	\$379,841	\$406,715	\$433,760	\$460,957	\$488,282
Debt Service Coverage Ratios															
Debt Service Coverage - MMRB First Mortgage Loan	1.287	1.308	1.304	1.333	1.363	1.395	1.423	1.451	1.479	1.508	1.508	1.536	1.565	1.593	1.622
Debt Service Coverage - MMRB First and SAIL Second Mortgage Loans	1.161	1.187	1.184	1.210	1.237	1.264	1.289	1.315	1.340	1.366	1.392	1.418	1.445	1.471	1.498
Debt Service Coverage - MMRB, SAIL and CDFI/SHIP Mortgage Loans	1.155	1.181	1.177	1.204	1.230	1.260	1.285	1.310	1.336	1.361	1.363	1.389	1.415	1.441	1.467
Debt Service Coverage - All Mortgages and Fees	1.155	1.181	1.177	1.204	1.230	1.260	1.285	1.310	1.336	1.361	1.363	1.389	1.415	1.441	1.467
Financial Ratios															
Operating Expense Ratio	49.6%	50.0%	51.6%	52.0%	52.3%	52.7%	53.2%	53.6%	54.1%	54.6%	55.1%	55.5%	56.0%	56.5%	57.0%
Break-Even Ratio	88.6%	87.7%	88.1%	87.3%	86.5%	85.7%	85.1%	84.6%	84.0%	83.5%	83.6%	83.2%	82.7%	82.4%	82.0%

EXHIBIT 3
Bristol Bay Apartments (2005-120S)
Hillsborough County
Description of Features/Amenities and Resident Programs

- A.** The Subject Development will consist of 300 garden apartment units located in 15 residential buildings.

Unit Mix:	72	One-bedroom/One-bath units
	132	Two-bedroom/Two-bath units
	96	Three-bedroom/Two-bath units
	300	Total units

The Subject 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 Subject Development will conform to requirements of Local, State and Federal Laws, Rules, Regulations, Ordinances, Orders and Codes, Federal Fair Housing Act and Americans with Disabilities Act (“ADA”), as applicable.

- B.** 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. Peephole on all exterior doors
 5. Cable or satellite TV hook-up
 6. Range, oven and refrigerator
 7. At least two full bathrooms in all three bedroom or larger new construction units
 8. Bathtub with shower in at least one bathroom in at least 90% of the new construction non-Elderly units
- C.** Borrower has committed to provide the following features in each **UNIT**:

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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

D. The Borrower has committed to the following Amenities in the **DEVELOPMENT**:

1. Gated community with “carded” entry or security guard, or if 2 or more stories, “carded” secure entry to building
2. Community center or clubhouse
3. Swimming pool
4. Playground/tot lot, accessible to children with disabilities (must be sized in proportion to Development’s size and expected resident population with age-appropriate equipment)
5. Thirty-year expected life roofing on all buildings
6. Laundry facilities with full-size washers and dryers available in at least one common area on site
7. Exterior lighting in open and common areas
8. Computer lab on-site with minimum of one computer per 50 units, with basic word processing, spreadsheets and assorted educational and entertainment software programs, and at least one printer

E. Borrower has committed to provide the following Energy Conservation Features for all **UNITS** in the Development:

1. Air conditioning with SEER rating of 12 or better
2. Electric water heater with energy factor of 0.91 or better

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3. Wall insulation of R-13 or better for frame-built construction
4. Attic insulation of R-30 or better
5. Ceiling fans in all bedrooms and living area in each unit

Excluding windows on doors and sidelights:

6. Single-pane glass on all windows with a shading coefficient of 0.67 or better

F. Borrower has committed to provide the following Resident Programs:

1. Welfare to Work or Self-Sufficiency Type Programs: 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.

EXHIBIT 3
Bristol Bay Apartments (2005-120S)
Hillsborough County
Description of Features/Amenities and Resident Programs

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.
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 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. Financial Counseling: This service must be provided by the Borrower or its Management Agent, at no cost to the resident, and must include the following components: must be regularly scheduled at least once each quarter; must include tax preparation assistance by qualified professionals; must include educational workshops on such topics as "Learning to Budget", "Handling Personal Finances", "Predatory Lending", or "Comparison Shopping for the Consumer".