

ZIEGLER SECURITIES

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August 3, 1995

Mr. Gene LeBeuf
President
Affordable Housing Consultants
1740 Maine Street
Sarasota, FL 34236

Re: Single Family Rent-To-Own Program; Tax-Exempt Bond Financing

Dear Mr. LeBeuf:

Ziegler Securities has completed its preliminary review of information provided by you regarding the potential for the issuance of a short-term tax-exempt multifamily mortgage revenue bond, proceeds from which would be utilized to finance the construction of single family detached dwellings which would be made available to persons of low to moderate income who would eventually, over an equity build-up period, qualify to purchase the homes within the five-year term of the proposed bond issue. The information further identifies that the issuer of the bonds would be the City of St. Petersburg or the Pinellas County Housing Finance Authority.

Pursuant to Florida law, the bonds would be declared tax-exempt, assuming an unqualified bond counsel opinion can be obtained and the tax exemption on the bonds would not be subject to a volume cap allocation from the State of Florida. These two exemptions on the tax side of the transaction and the allocation provision are a result of the fact that the sponsor of the project is a qualified 501(c)(3) non-profit corporation. We assume in our conversations that this qualified non-profit is a local St. Petersburg Baptist Church which is a member of the Baptist Council. This church, as an organization qualifying as a non-profit would, in turn, form and extend its non-profit status to a qualified housing development corporation whose sole purpose and sole asset would be the single family dwellings for which this financing is to be designed, marketed, and closed. With this as a background within the financing projections you have provided, Ziegler Securities is willing to accept a formal application to underwrite the tax-exempt obligations under terms and conditions satisfactory to Ziegler Securities. We would assume, in accepting this request, that the bonds would be non-rated. We further assume that the proceeds from the sale of the bonds would be used to:

1. Finance construction costs of the 42 units.
2. Capitalize interest during the construction period which is anticipated not to exceed twelve months.
3. Pay up to 2% of the cost of issuance of the bonds.

4. Fund an adequate debt service reserve fund to be used as collateral and security for the bondholders.

In addition, a small taxable bond which would amortize in a one or two-year period and would be equal to the total cost of issuance in excess of 2% would be issued by the authority on behalf of the non-profit sponsor and sold as a "Series B" offering. The tax-exempt portion would be sold as "Series A" bonds.

At the present time, we are completing a preliminary analysis and attempting to structure the bond financing in accordance with the standards established by Ziegler Securities for such an offering. As soon as those numbers are finalized in preliminary form and the bond sizing and structure are established, we will distribute those cash flow runs to you for further consideration.

Only by way of illustration and certainly not to be considered an interest rate quote at this time, Ziegler Securities estimates that a tax-exempt non-rated five-year issue in today's market would have an interest rate of approximately 5.75%. A non-rated taxable one-year issue would have an estimated interest rate of 6.25% representing today's market. The estimated total size of the tax-exempt Series A bonds is \$2,464,000. The estimated size of the taxable Series B bonds is \$163,475.

Again, considering the ownership structure, and the project itself, the Baptist Church of St. Petersburg as a non-profit entity would be the sole owner of all 42 single family dwellings. Proceeds from the sale of the bonds through the St. Petersburg or Pinellas County authorities would be loaned to the non-profit sponsor for the construction of the project. It is anticipated that a separate qualified management company would be employed to pre-screen qualified low to moderate income tenants as initial occupants of each of the units and those occupants would be declared "renters", but are potentially qualifiable as "owners" at a date in the future when their individual circumstances will allow. It is under this scenario that we understand an unqualified bond counsel opinion can be rendered declaring the bonds tax-exempt.

This interim ownership period by the non-profit is critical and must be established for a period of time to avoid the private activity "declaration" and the necessity for the volume cap allocation. Obviously, it is anticipated in the future and certainly within the five-year period which the bonds are outstanding that all of the occupants of the 42 single family detached dwelling units would eventually become qualified as purchasers and would purchase their units at pre-established purchase prices. A portion of the rents to be charged to those tenants while they are renters would be utilized to debt service the interest payments on the bonds, pay sufficient operating expenses, and last, but not least, establish an equity "build up" fund to be held on behalf of the tenant by the trustee. However, during the term of rental occupancy, the trustee would hold that equity fund to the benefit of the bondholders.

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Assuming, the renting occupant's economic status improves and, thus, that family or individual becomes qualified to purchase the unit, he or she would do so from outside sources. Once that separate and distinct lender declares the tenant eligible and thus issues a firm commitment to finance the unit, the built-up equity fund would be released by the trustee and made available to the tenant to use as his or her down payment. Of course, with that down payment, the tenant becomes the purchaser and closes on the purchase of the unit. The proceeds from the sale of the house by the non-profit to the qualified tenant will, in turn automatically be forwarded to the trustee to redeem that portion of outstanding bonds.

This process continues through the remaining five-year term of the bond issue until all units are sold. With those proceeds it is assumed all of the bonds are redeemed plus accrued interest is paid to the date of redemption. There is no prepayment penalty assumed on the bonds and thus all bonds are callable at par. The debt service reserve fund is liquidated at the end of the term, and any proceeds from that liquidated account are utilized to redeem outstanding bonds, if necessary. If no funds are necessary for bond redemption from available proceeds from the sale of the units, that portion of the debt service reserve fund liquidated account will be transferred to the project sponsor, i.e., the non-profit entity.

That, in summary, is the transaction as we see it today and on that basis, Ziegler Securities, as stated, would be willing to accept a formal application from the project sponsor. We will process that application and present it to Ziegler Securities' finance committee for formal consideration. We will conduct a detailed due diligence exercise and will require the completion of a formal feasibility study to confirm the projections, cash flows, operating expenses, and the scope of the market of the rent-to-own populous in the St. Petersburg area.

A final point within the cash flow structure and sources and uses of funds is that sufficient developer fees will be considered as part of Ziegler Securities' underwriting.

If this accurately represents the transaction from your standpoint, please proceed with identifying the non-profit sponsor and submitted the application as we have discussed.

Sincerely,



Rick K. Price

Vice President - Housing Finance

cc: Rich Scanlon
Tom Ross
Warwick Graves (913) 648-0523 (Fax)