



Syndicator Review Guidelines

FINAL – 2013

GOALS: These guidelines are intended to assist members of the Affordable Housing Investors Council in assessing a business relationship with a new or ongoing Syndicator with respect to the Syndicator’s ability to provide (1) an adequate / consistent supply of Low Income Housing Tax Credit (“LIHTC”) investments, (2) a diverse selection of investment opportunities, (3) sound underwriting of the investments, and (4) solid asset management services for those investments over the 15-year Compliance Period.

Each section noted below begins with an Introduction to explain the intent of the section in relation to these stated Goals. The Introduction is then followed by information the AHIC Investor should consider gathering from the Syndicator as part of the AHIC Investor’s review of the Syndicator. Each section then concludes with suggested areas of analysis the AHIC Investor should consider to assess potential risk in relation to the stated Goals above.

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Section I. Organization and Ownership

Introduction: *Review of the Syndicator’s ownership structure will help the AHIC Investor determine if the structure poses potential risks to the Syndicator’s viability and/or the quality of the Syndicator’s acquisitions. This section is intended to help an AHIC Investor discern the Syndicator’s decision making processes and understand them in the context of the Syndicator’s overall ownership and organizational structure.*

A. Organization History

- Determine the date when the Syndicator was formed.
- Understand the founding roots (history / evolution) of the Syndicator.

B. Ownership Structure

In reviewing the Syndicator’s ownership structure, identify the following:

- Whether the Syndicator is a public or a private entity.
 - ◊ If it is private, determine its ownership structure per the steps outlined below.
 - ◊ If it is public, see Section IV for Financial Performance.
- Whether the Syndicator is a not-for-profit or for-profit company.
 - ◊ The core mission of the firm.
- The legal organization of the Syndicator (obtain **Organizational Chart**), indicating:
 - ◊ The ownership interests in the Syndicator entity.
 - ◊ The Syndicator entity’s ownership of other entities (Subsidiaries/Affiliates).¹
- Whether the Syndicator is a stand-alone company or has a parent company (“Parent”).
 - ◊ If the Syndicator has a Parent:
 - The line of authority between the Parent and the Syndicator.
 - The extent to which the Sponsor has autonomy and decision-making authority over all issues of the Syndication business.

¹See Section IV.A. for further discussion.

- The Parent's expectations for the Syndicator's performance and consequences for the Syndicator's failure to perform.
 - Whether there is continuity of leadership, business model, practices, policies, and procedures for the Syndicator and for the Parent, if any.
 - The parties who provide strategic direction to the Syndicator (e.g., senior leaders within a Parent or the Syndicator's own key Executives or Board of Directors).
- ◇ If the Syndicator has Subsidiaries / Affiliates:
- Any critical functions performed by the Subsidiary / Affiliate for the Syndicator.
- ◇ The extent to which the Syndicator has been affected by organizational restructuring recently at the Syndicator, Parent or Subsidiary / Affiliate level.
- Determine whether the Syndicator or its Parent has merged with any other firms.
 - Identify if any important changes in staffing, services, or processes took place or are planned as a result.

Areas of analysis for the AHIC Investor to consider:

1. *What is the risk management culture of the Syndicator and is it affected by the Syndicator's relationship to its Owners (its Parent or the individuals) or Subsidiaries / Affiliates?*
2. *If the Syndicator is an older company, does it have weaker performing assets due to age of the properties and less stringent underwriting of earlier deals (though this "lessons learned" experience may have helped lead to stronger performance in more recent funds).*
3. *If the Syndicator is a not-for-profit:*
 - *Does it have a mission of providing affordable housing?*
 - *Does its mission cause it to have lower underwriting standards (see also Section V) than those of a for-profit firm?*
 - *Is it adequately capitalized?*
 - *Does it have staffing that is comparable in expertise to that of a for-profit?*
 - *Is it closely tied to a government-sponsored/quasi-public entity that may have an impact on its acquisition and underwriting decisions?*
4. *Are there any merger-related issues that are of concern that have recently changed or may change in the future the business, financial and/or management profile of the Syndicator?*

5. *Are there any other business plan changes that have recently changed or may change in the future the risk profile of the Syndicator's origination and/or asset management business lines?*
6. *If the Syndicator has subsidiaries or affiliates:*
 - *Determine to what extent these entities take significant time / resources (particularly management) away from the LIHTC syndication business.*
 - *Determine to what extent these entities increase or decrease the financial risk of the Syndicator.*
7. *Determine the affect of the Syndicator's core mission on its own performance or the performance of its investments / funds (see also Sections IV and V). For example, is the Syndicator primarily a loss leader for a Parent or affiliate to allow for cross-selling, or is it a key profit-center seeking growth and taking on additional risk?*
8. *Is there a succession ownership plan? (See also Section III.D regarding Business Disaster Recovery Plan).*

Section II. Senior Management and Staffing

Introduction: *This section expands upon the analysis in Section I to determine if the Syndicator is adequately staffed with experienced key management and staff. Review of the key management and staffing will help an AHIC Investor determine if the Syndicator's structure poses potential risks to its viability and whether the Syndicator has the leadership and staffing skills to provide sound underwriting and risk/asset management services.*

A. Senior Management

- Review the Syndicator's **Organizational Chart** and **Staffing Template (Attachment A)** that includes the Senior Management reporting structure.
 - ◇ Identify any key changes that have taken place within this team over the past three years.
- Obtain each senior executive's professional experience relating to:
 - ◇ Years of experience in affordable housing.
 - ◇ Years of experience with the Syndicator.
 - ◇ Compare this experience to the senior management of other Syndicators with which the AHIC Investor has business relationships.

Areas of analysis for the AHIC Investor to consider:

- 1. Are key management personnel sufficiently experienced in LIHTC syndication and asset management?*
- 2. Are they sufficiently experienced in all other business lines with which the Syndicator is involved directly or through subsidiaries or affiliates?*
- 3. Does the firm have key management or other personnel with accounting and tax backgrounds, or does it rely primarily on outside expertise?*
- 4. Would there be possible exposure issues if one key management person leaves?*
- 5. Is the organization designed in a manner to ensure continued operations in the event of a loss of key senior management personnel? Is there a succession plan for non-owner Senior Management?*
- 6. Is there a succession plan for the exit / retirement of the owners? What, if any, are the financial implications to the Syndicator entity (e.g., retained earnings, debt relating to ESOP, etc. See also Sections IV and III.D).*
- 7. Does the Syndicator have the track record, capacity and financial stability (see Section IV regarding financial condition) to step in should the Lower Tier General Partner / Managing Member need to be removed?*

B. Staffing

In reviewing the Syndicator **Staffing Template (Attachment A)**, identify the following:

- The total number of employees at the organization.
 - ◇ Determine whether the level has increased / decreased over the past few years.
 - ◇ Identify the specific functions that have experienced significant increases / decreases over the past few years.
- The professional experience of the Staff relating to:
 - ◇ Average years of experience in LIHTC and other areas of affordable housing

- ◇ Average years of experience with the Syndicator
 - ◇ Accounting / tax professionals on staff: Tax Attorneys and CPAs
 - ◇ Compare to other Syndicators with which the AHIC Investor has business relationships.
- The type and amount of assignments for key staff (e.g., number of assets covered by each Asset Manager on average; number of assets in construction or lease up covered by Asset Management or others, etc.).

Areas of analysis for the AHIC Investor to consider:

- 1. Are personnel sufficiently experienced / trained in LIHTC underwriting and asset management (including during construction and lease up)?*
- 2. Are personnel sufficiently experienced in all other business lines in which the Syndicator is involved?*
- 3. Are there adequate numbers of staff to appropriately manage underwriting and asset management, including investor reporting and, if necessary, workouts, property substitutions, etc.?*
- 4. If certain functions have experienced reductions in staff recently, were the reductions related to cash flow/profitability issues or changes in the business plan? What are the impacts to current and future originations, underwriting and/or asset management functions?*
- 5. Is there a turnover issue with staff, particularly key staff? If this has been occurring in specific functions, have originations, underwriting and/or asset management been affected?*
- 6. Are there clear reporting procedures to allow proper dissemination of information from underwriting to asset management (and vice versa)? See also Section V for questions related to this question and the ones below.*
- 7. Are there appropriate lines of communication to allow escalation of issues?*
- 8. How are LIHTC origination and asset management staff compensated? How are comparable staff people within other business lines, if any, compensated? Do the compensation structures increase or decrease the possibility of slippage in underwriting and / or reporting standards?*

Section III. Business Plan / Strategy

Introduction: *This section is intended to help an AHIC Investor determine if the Syndicator has a business plan / strategy that will provide the Syndicator financial stability by ensuring it limits or appropriately manages the growth of its business lines, as well as its geographic, developer and other investment concentrations.*

A. LIHTC Equity Products – Current and Planned

In reviewing the Syndicator's LIHTC business model and **Business Concentration Template (Attachment B)**, identify the following:

- LIHTC products the Syndicator is actively providing in the market:
 - ◊ Multi-Investor Fund (MIF)
 - ◊ Proprietary / Single-Investor Fund (SIF)
 - ◊ Guaranteed Fund
- Whether the Syndicator has a focus on 9% or 4% LIHTC transactions.
- LIHTC products the Syndicator added or dropped from its plan in the past few years.
- LIHTC products the Syndicator is planning to add or drop in the next few years.

Areas of analysis for the AHIC Investor to consider:

1. *Does the Syndicator currently have overreliance on one type of execution (MIF, SIF or Guaranteed)?*
2. *Does the Syndicator currently have an overreliance on 4% LIHTC transactions?*
3. *Does the Syndicator have an overreliance on LIHTC originations in relation to its asset management services? See also Section IV, Sustainability Template.*
4. *Does the Syndicator also invest on behalf of its Parent Company? If so, what is the strategy as to which LIHTC product is syndicated to outside investors?*

B. Other Lines of Business – Current and Planned

In reviewing the Syndicator's overall business model, identify the following:

- Other tax credits the Syndicator is actively providing in the LIHTC market:
 - ◊ Federal New Market Tax Credits
 - ◊ Federal Historic Rehabilitation Credit
 - ◊ State LIHTC
 - ◊ State Historic Rehabilitation Credit
 - ◊ State Solar Credit
 - ◊ State Brownfield Credit
 - ◊ Other
- The source of these non-LIHTC equity products (Syndicator, Syndicator Subsidiary / Affiliate or Parent, or other).
- Debt and other products the Syndicator is actively providing in the LIHTC market:
 - ◊ Acquisition Loans
 - ◊ Predevelopment Loans
 - ◊ Bridge Loans
 - ◊ Construction Loans
 - ◊ Permanent Loans
 - ◊ Bond Underwriting, Credit Enhancement or Other
 - ◊ Equity Investment
 - ◊ Multiple Lines of Financial Services
 - ◊ Other
- Other business lines the Syndicator, its subsidiaries/affiliates or parent is actively pursuing:
 - ◊ Real Estate Development (LIHTC and/or conventional apartments, retail, other)
 - ◊ Other
- The amount / percentage of the Syndicator's LIHTC Originations that involve Syndicator debt or other Syndicator products and/or services.

- The amount / percentage of equity investment and debt revenue relating to these lines of business.
- Which products and/or other business activities the Syndicator added or dropped from its business plan in the past year.
- Which of these products the Syndicator is planning to add or drop from its business plan in the near future (one to three years).

Areas of analysis for the AHIC Investor to consider:

- 1. Is the Syndicator reliant on its integration (horizontal or vertical) with its Subsidiaries / Affiliates, Parent or other groups (e.g., is the Syndicator Equity Group tied too closely to its Debt Group) for its originations, revenue and/or warehouse line?*
- 2. Is there revenue diversification across the Syndicator's product types?*
- 3. Is the Syndicator's LIHTC business a stand alone business with respect to originating and underwriting its transactions, or does it rely on the originating and underwriting of a non-LIHTC business Subsidiary / Affiliate or Parent?*
- 4. Would the reduction in a non-LIHTC equity business of a Syndicator Subsidiary / Affiliate / Parent have a negative impact on the Syndicator's LIHTC business production?*
- 5. Does the Syndicator have an overreliance on non-LIHTC (debt, other?) originations?*
- 6. Is there revenue diversification across LIHTC products? Across business lines beyond LIHTC syndication?*
- 7. Is the Syndicator expanding out of its historical profit center (product)?*
- 8. Has the Syndicator already identified specific clients for this new product?*
- 9. Will the Syndicator warehouse this new product type as it expands into this business, or will it seek simultaneous closings with upper tier investors to limit its exposure to this new product?*

C. Business Concentrations

In reviewing the Syndicator's LIHTC acquisitions over the past few years as outlined in the **Business Concentration Template (Attachment B)**, identify the following:

- Primary development geographic locations
- Primary developers
- Primary investors
- Primary deal size (equity investment and units)
- Primary construction type (new, rehab, mixed)

Areas of analysis for the AHIC Investor to consider:

1. *Does the Syndicator have a geographic reliance (by state, region, urban vs. rural)?*
2. *Are the Syndicator's investor clients primarily economic or Community Reinvestment Act (CRA) investors?*
3. *Are the Syndicator's clients (investors) primarily Bank, Insurance or other Corporations?*
4. *How might CRA and /or tax reform have an impact on the Syndicator's business given its business concentrations?*
5. *Does the Syndicator have an overreliance on one or two primary investors?*
6. *What has been the investment trend of the Syndicator's investor base in relation to the movement of LIHTC yields / price per credit over the past year?*
7. *Does the Syndicator focus / rely on local or larger national developers?*
8. *Does the Syndicator weigh the amount of LIHTC and non-LIHTC REO exposure a Developer has, particularly during an LIHTC investment's proposed construction and lease up period?*
9. *Does the Syndicator focus / rely on development firms that are less experienced with LIHTC transactions?*

- 10. Does the Syndicator have a typical (average) deal size?*
- 11. Are the Syndicator's primary Developer clients focused on LIHTC development or are they diversified into other real estate types (e.g., for-sale homes, commercial, industrial, etc.) and/or other services (e.g., general contracting, property management, property brokerage, etc.)?*
- 12. Does the Syndicator focus / rely on general contractor firms with a LIHTC development arm?*
- 13. Do the Syndicator's acquisitions have a tenancy (including set asides / preferences) concentration: Family, Older Adult, Special Needs, Other?*
- 14. Do the Syndicator's acquisitions have a subsidy concentration: Section 8, Public Housing, State or City Operating Subsidy, Other?*
- 15. Does the Syndicator focus / rely on government entities or not-for-profit service providers that have a development arm?*
- 16. Does the Syndicator have a history / overreliance on repeat Developer clients?*
- 17. Does this have an impact on the Syndicator's underwriting of these Developers?*

D. Business Continuity - Disaster Recovery Plan

- Obtain the Syndicator's business continuity / disaster recovery plan.

Areas of analysis for the AHIC Investor to consider:

- 1. Does the Syndicator have a credible plan in place?*
- 2. Is the plan appropriate given the Syndicator's business structure (e.g., business lines and processes with respect to document storage, asset management, investor reporting, the ability of staff to work and communicate off-site)?*
- 3. What potential disasters are envisioned and addressed by the plan beyond concerns of fire, flooding or terrorism? Does it address loss of financial assets (including a key line of credit), technology failure, sudden loss / exit of senior management or owners, other?*

4. *Who prepared the plan and how often is it tested, re-evaluated and updated?*
5. *Who is responsible for updating the plan? Is it primarily an internal plan or does the Syndicator utilize outside consultants, including technology consultants, for further perspective / objective input?*

Section IV. Financial Condition

Introduction: *In evaluating a new or ongoing Syndicator relationship, an AHIC Investor should consider the Syndicator’s financial condition to assess the Syndicator’s current and long term financial health. This section is intended to assist in determining what financial metrics may provide insight into potential risks the Syndicator may face based on its balance sheet, its operations and its sources of financing.*

A. Financial Statements

To review a Syndicator’s financial condition, an AHIC Investor should consider requesting the following from the Syndicator:

- Financial Statements
 - ◊ Minimum Three (3) Years Audited (Qualified or Unqualified Auditor Opinion)
 - ◊ Most Recent Quarter Unaudited
 - ◊ Projections for the Current Full Year

Note: Request an explanation if the Syndicator’s statements are not prepared using Generally Accepted Accounting Principles (GAAP), including consolidation or equity methods for Subsidiaries / Affiliates as applicable.² For a Syndicator with a Parent, consider also requesting the Parent’s Consolidated statements.

- Tax Returns / Form 990s – For Syndicator entity (and owners if privately held)
 - ◊ Minimum Three (3) Years
- Current Bank Statements (evidencing liquidity - e.g., cash and cash equivalents)

²E.g., identifying Subsidiaries considered Voting Entities or Variable Interest Entities (VIEs).

- Information on Credit Facilities Available / Warehouse Lines

Note: Audited statement footnotes should include information on the Syndicator's warehousing and other line(s) of credit. However, the Syndicator's warehousing line of credit may be through a separately formed Syndicator-related entity (a common practice).

To supplement the audit information, the AHIC Investor should request the following from the Syndicator:

- ◇ Terms and tenure of the current credit facilities
- ◇ Current balance and average annual balance of the credit facilities (break out by secured and unsecured lines)
- ◇ Average age of the investment on lines of credit (turnover)
- ◇ Pay down requirements and history
- ◇ Lender references

B. Financial / Credit Analysis

Introduction: *Using the submitted financial statements and other information noted in the previous section, the AHIC Investor may consider reviewing the indicators below to assess the current financial condition of the Syndicator. AHIC Investors can compare each Syndicator's metrics to those of other Syndicators and to general trends / ratios in the financial industry.*

- Revenue Trends
 - ◇ Accounting Recognition of Fees (e.g., origination, asset management, disposition, incentive, etc.)

Areas of analysis for the AHIC Investor to consider:

1. *Has the Syndicator shown positive net income over the past three years?*
2. *Has the Syndicator's revenue over the past three years been primarily from acquisition fees / load, asset management fees, or other lower tier fees (including disposition fees)?*

3. *Does the Syndicator have income tied up in receivables that is earned but not paid / due (slow receivable turnover)?*

- Expense Trends

- ◇ Salaries
- ◇ Payments / Distributions to Parent, Owners (individuals) or Subsidiaries / Affiliates.
- ◇ Payments to Upper Tier Reserves / Guarantees
- ◇ Other Expenses

Areas of analysis for the AHIC Investor to consider:

1. *Have salary expenses been growing at a faster rate of growth than revenue and cash flow?*
 2. *What other expenses are growing and are they growing in line with revenue?*
 3. *Is the Syndicator funding operating deficits or reserves for properties it originated?*
 4. *Does the Syndicator carry a large deferred tax liability on its balance sheet?*
 5. *What are the Syndicator's trends relating to retained earnings and distributions?*

- Net Operating Income Trends

- Cash Flow Trends from:

- ◇ Operations (Sustainable Cash Flow)
- ◇ Investment Activities
- ◇ Financing Activities
- ◇ Non-Profit: Percent of Cash Flow to Reserves vs. Percent to Other Activities (e.g., services)
- ◇ What is the Syndicator's distribution / dividend policy and payment trends with respect to its owner (whether a Parent or Individuals)?

Areas of analysis for the AHIC Investor to consider:

1. *Has the Syndicator shown sustainable free cash flow over the past three years?*

2. *Has the Syndicator relied heavily on any investment or financing activities to ensure positive cash flow over the past three years?*
3. *Are there any actual or potential cash flow issues and/ or overleveraging issues relating to distributions / dividends to the Parent Company or Individual Owners?*

- Operating Margins / Profitability Trends

- ◊ Net Profit Margin

Areas of analysis for the AHIC Investor to consider:

1. *Is the Syndicator profitable?*
2. *Are profit margins on an upward, flat or downward trend?*
3. *If profit margins are flat or decreasing, what is (are) the main cause(s)?*

- Net Assets (Net Worth)

- Liquidity Trends

Areas of analysis for the AHIC Investor to consider:

1. *Are distributions having a negative impact on liquidity and cash on hand?*
2. *Are line of credit balances being paid down consistently?*
3. *Are increases in the use of lines of credit in line with growth in originations and cash flow? Or are they being used for other costs that are not contributing to sustainable operations / growth?*

- Leverage Trends

Areas of analysis for the AHIC Investor to consider:

- 1. Are the current and long-term portions of debt and other liabilities consistent from year to year? Is either growing out of proportion with increases in originations?*
- 2. Are there significant amounts of notes payables, particularly to related parties?*
- 3. Are there significant amounts of notes receivable, particularly to related parties?*

- Sustainability Analysis

◇ Based on the Syndicator's **Sustainability Template (Attachment C)**, determine the ability of the Syndicator to breakeven should Originations / Acquisitions end (the Syndicator's "Burn-Off" or "Stand Alone Asset Management Sustainability").

- Conduct Background Checks of Syndicator and its owners

Search examples:

- ◇ Secretary of State Filings
- ◇ AML / OFAC
- ◇ Tax Liens
- ◇ Asset Liens / UCC Filings
- ◇ Judgments, Settlements, Litigation, Bankruptcy
- ◇ Criminal Convictions / Indictments
- ◇ D&B Reports
- ◇ Credit Checks
- ◇ Licensure / Regulatory Sanctions

Areas of analysis for the AHIC Investor to consider:

- 1. Are there any current legal / regulatory issues relating to the Syndicator, its Subsidiaries / Affiliates or its officers / principals that affect or could affect in the future the ability to originate or asset manage LIHTC investments on behalf of an AHIC Investor?*

2. *In the past (the look back period is to be decided by individual AHIC Investors), have there been any legal / regulatory issues relating to the Syndicator, its Subsidiaries / Affiliates or its officers / principals that currently affect or could affect in the future the ability to originate or asset manage LIHTC investments on behalf of AHIC Investors?*

Section V. Property / Developer / Guarantor Underwriting Standards

Introduction: Detailed underwriting criteria have already been incorporated into the AHIC Underwriting Guidelines. Therefore, the purpose of the section below is to help an AHIC Investor determine the Syndicator's overall process for underwriting a LIHTC property and the Developers / Guarantors involved, as well as other development team members (e.g., contractors and property managers) and counter parties (e.g., bonding companies, swap providers, letter of credit providers, etc). The goal is to evaluate the depth and consistency of the underwriting and credit practices utilized by the Syndicator and whether these practices are updated / refined based on the ongoing experience of Asset Management and other groups within the organization. The section does not list specific underwriting criteria since each AHIC Investor will determine its specific requirements based on its review of the AHIC Underwriting Guidelines and the AHIC Investor's own risk tolerance and internal guidelines / policies.

- Obtain a copy of the Syndicator's Underwriting Guidelines, including:
 - ◊ Development Team Member Questionnaire
 - ◊ REO Schedule Template
 - ◊ Syndicator's background search criteria / templates to clarify what Development Team entities are searched, over what timeframe, and in which jurisdictions
- Review the guidelines for any variances from AHIC Underwriting Guidelines
- If there are variances from AHIC Underwriting Guidelines, ask for explanations / rationale as to why. There should not be material variances from AHIC's Guidelines.
- Review the Syndicator's Underwriting Process from LOI through Credit Committee
 - ◊ How is the Acquisitions Staff involved in the Underwriting Process?
 - ◊ Is there an official hand-off from the Acquisitions Team to a member of a separate Underwriting Team?

- ◇ How do the Acquisitions Team and the Underwriting Team interact to work through and resolve deal issues?
- ◇ Is there a Chief Underwriter / Credit Approver? If not, who oversees the overall underwriting process, particularly if different internal groups are conducting various parts of the underwriting?
- ◇ Are there separate internal groups conducting site inspections, tenant file reviews / compliance, market studies, financial analysis, environmental review, construction plan and cost review, environmental, and/or construction plan review/monitoring? If not, who oversees Third Party reviews?
- ◇ What is the experience / training of the Chief Underwriter?
- ◇ How does the Chief Underwriter monitor exceptions to the Syndicator Underwriting Guidelines?
- ◇ What Third Party reports are engaged during the Underwriting Process (e.g., legal, site inspections, tenant file reviews / compliance, market studies, environmental review, construction plan and cost review, environmental, construction plan review/monitoring)?
- ◇ How are the Legal and other closing staff involved in the Underwriting Process?
- ◇ Who reviews the Letter of Intent prior to submittal to the General Partner? Who reviews the Partnership / Operating Agreement?
- ◇ To what extent can Legal and other closing staff carry out changes / negotiate during closing without involvement of the Chief Underwriter or Credit Committee?
- Does an official Credit Committee review and approve Investment Memoranda?
 - ◇ Who are the members of the Credit Committee?
 - ◇ Are members from Asset Management and Underwriting on the Credit Committee?
 - ◇ How are deals approved and moved through the Credit Committee process?
 - ◇ If there are follow-up questions or comments, who responds to those inquiries?
 - ◇ How many deals are declined by Credit Committee and sent back for further review?
- Post Closing Follow-Up and Feedback
 - ◇ Determine if there is a formal feedback process back to Acquisitions and Underwriting from Asset Management (including the Workout group, if a separate group).
 - ◇ How does the Syndicator deal with problem properties and incorporate “Lessons Learned” into their Underwriting Process?

Areas of analysis for the AHIC Investor to consider:

1. *Does the Syndicator have appropriate checks and balances between Acquisitions and Underwriting (and Asset Management)?*
2. *Does the underwriting process change (e.g., no Questionnaire or background checks conducted) when the Developer is a repeat customer of the Syndicator?*
3. *Does the Syndicator have additional checks and balances by way of the Credit Committee process?*
4. *Does the Credit Committee sign off on underwriting exceptions or are some decisions delegated to the Chief Underwriter?*
5. *What types of decisions are delegated to the Chief Underwriter?*
6. *Are exceptions included in the investment memoranda provided to the Investor?*
7. *Does Asset Management assign an initial risk rating based on Credit Committee review of a project to ensure appropriate follow up of risks during construction, lease up and beyond?*
8. *Are annual internal audits performed on the Underwriting, Closing / Funding, and Asset Management functions?*
9. *Is the Syndicator properly insured (e.g., E&O, Fidelity Bond)?*

Section VI. Fund Performance / Asset Management

Introduction: *This section will help an AHIC Investor determine the historical / ongoing performance of the Syndicator's funds to assess the likelihood of strong performance by the Syndicator into the future. The section does not list specific fund criteria since each AHIC Investor will determine specific fund performance requirements.*

- Request that the Syndicator Complete the **FUND PERFORMANCE TEMPLATE (Attachment D)** so that the AHIC Investor may review it as part of the analysis below.

- Obtain Syndicator investor references and contact information.

Areas of analysis for the AHIC Investor to consider:

- 1. Does the Syndicator use AHIC's Risk Rating Guidelines in its reports to investors?*
- 2. Has the delivery of credits and losses (and other benefits, e.g., cash flow, as applicable) historically been generally in line with projections?*
- 3. Has there been a high percentage of underperforming / watch list properties?*
- 4. Has there been a high percentage of 8823s?*
- 5. Has there been a high percentage of foreclosures and/or bankruptcies leading to restructuring?*
- 6. Has there been a high percentage of recapture?*
- 7. To what extent have properties that were initially specified for a certain fund been replaced with others by the time that fund closed?*
- 8. Has there been a high percentage of properties where the Syndicator has stepped in as the General Partner / Managing Member?*
- 9. Is there a separate group that handles workouts?*
- 10. Is the use of reserves at the property and fund level monitored appropriately? Is there a high percentage of reserve usage?*
- 11. Are the Syndicator's filings (e.g., audits, tax returns, 2530s) timely?*
- 12. Does the Syndicator identify and seek to resolve regulatory and other issues (2530 flags, 8823s, workouts, etc.) in a timely manner?*
- 13. Has the Syndicator historically been slow in closing equity into funds? What is the Syndicator's current status with respect to unplaced equity?*
- 14. Are asset management fees and service agreements appropriately structured to account for the possibility of General Partner (or Managing Member) removal?*